S. Hrg. 100-401

EXAMINATION OF PROBLEMS AFFECTING THE FARM COMMUNITY

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

MONDAY, FEBRUARY 9, 1987—MINNEAPOLIS, MN
MONDAY, FEBRUARY 9, 1987—BISMARCK, ND
TUESDAY, FEBRUARY 10, 1987—OMAHA, NE
TUESDAY, FEBRUARY 10, 1987—UNDERWOOD, IA
WEDNESDAY, FEBRUARY 11, 1987—GARRETSON, SD
MONDAY, MARCH 30, 1987—TIFTON, GA

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

U.S. GOVERNMENT PRINTING OFFICE
71-458 WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S161-9

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

PATRICK J. LEAHY, Vermont, *Chairman*

EDWARD ZORINSKY, Nebraska
JOHN MELCHER, Montana
DAVID H. PRYOR, Arkansas
DAVID L. BOREN, Oklahoma
HOWELL HEFLIN, Alabama
TOM HARKIN, Iowa
KENT CONRAD, North Dakota
WYCHE FOWLER, Jr., Georgia
THOMAS A. DASCHLE, South Dakota

RICHARD G. LUGAR, Indiana
ROBERT DOLE, Kansas
JESSE HELMS, North Carolina
THAD COCHRAN, Mississippi
RUDY BOSCHWITZ, Minnesota
MITCH McCONNELL, Kentucky
CHRISTOPHER S. "KIT" BOND, Missouri
PETE WILSON, California

Charles Riemenschneider, *Staff Director*
John Podesta, *Chief Counsel*
Charles Conner, *Staff Director for the Minority*
Christine Sarcone, *Chief Clerk*

CONTENTS

Hearings held on Examination of Problems Affecting the Farm Community—Full committee:

Page

Feb. 9, 1987.—Agricultural Trade—Minneapolis, MN 1
Feb. 9, 1987.—The Status of the Farm Economy—Bismarck, ND 41
Feb. 10, 1987.—Farm Credit—Omaha, NE 77
Feb. 10, 1987.—Farm Incomes—Underwood, IA 109
Feb. 11, 1987.—Rural Life—Garretson, SD 143
Mar. 30, 1987.—Rural Development and the Health of Georgia Commodity Programs—Tifton, GA 177

MINNEAPOLIS HEARING—FEBRUARY 9, 1987

Leahy, Hon. Patrick J., a U.S. Senator from Vermont, opening statement 1
Boschwitz, Hon. Rudy, a U.S. Senator from Minnesota 2

CHRONOLOGICAL LIST OF WITNESSES

Olson, Ron, president, Minneapolis Grain Exchange 3
Perpich, Hon. Rudy, Governor, State of Minnesota 4
Weir, Craig, president, Minnesota Soybean Growers Association 7
Kruger, Jerry, member, U.S. Wheat Associates 9
Johnson, Larry, immediate past president, Minnesota Corn Grower's Association 11
Christopherson, Al, vice president, Minnesota Farm Bureau Federation 13
Frederickson, Dave, Minnesota State Senator from District 20 16
Sinclair, Vaughn, president and general manager, Watonwan Farm Service Co., St. James, MN 25
Joseph, Burton M., vice chairman, Martrade, Ltd., Minneapolis MN 27
Bragg, Russell J., group vice president, Pillsbury Co 30
Houck, Prof. James P., Department of Agricultural and Applied Economics, University of Minnesota 32

BISMARCK HEARING—FEBRUARY 9, 1987

Leahy, Hon. Patrick J., a U.S. Senator from Vermont, opening statement 41
Boschwitz, Hon. Rudy, a U.S. Senator from Minnesota 42
Conrad, Hon. Kent, a U.S. Senator from North Dakota 44

CHRONOLOGICAL LIST OF WITNESSES

Sinner, Hon. George A., Governor, State of North Dakota 46
Meiers, Hon. Ruth, Lieutenant Governor, State of North Dakota 47
Jones, Hon. Kent, Commissioner, North Dakota Department of Agriculture 49
Schneider, Harriet, Herbron, ND 52
Cotton, Howard, Cummings, ND 53
Bergman, Alan, president, North Dakota Farmers Union 55
Heaton, Robert, McKenzie, ND 57
Alexander, Don, Martin, ND 57
Slinde, Sanford, Velva, ND 65
Slinde, Gail, Velva, ND 67

OMAHA HEARING—FEBRUARY 10, 1987

Leahy, Hon. Patrick J., a U.S. Senator from Vermont, opening statement 77
Zorinsky, Hon. Edward, a U.S. Senator from Nebraska 79

CHRONOLOGICAL LIST OF WITNESSES

Page
Kirk, James, president and chief executive officer, Farm Credit Services, Omaha District ... 81
Brandt, William, president, First National Bank of Unadilla and the American Bank of Burr ... 83
Severens, Eugene, Center for Rural Affairs, Walthill, NE ... 85
Johnson, Wayne, farmer-feeder, Ainsworth, NE ... 97
Lau, Dorothy, Murdock, NE ... 100
Neidig, Bryce P., Madison, NE ... 102
Hansen, John K., Newman Grove, NE ... 103
Halloran, Steve, Hastings, NE ... 105

UNDERWOOD HEARING—FEBRUARY 10, 1987

Leahy, Hon. Patrick J., a U.S. Senator from Vermont, opening statement ... 109
Harkin, Hon. Tom, a U.S. Senator from Iowa ... 111

CHRONOLOGICAL LIST OF WITNESSES

Wurster, Dorothy, Tingley Farm Supply Inc., Tingley, IA ... 113
Blazek, Dick, Corning, IA ... 115
Reif, Rev. Charlotte ... 116
Gray, Farris, Bedford, IA ... 118
Langner, Marlin, Dickens, IA ... 120
Larson, Lindsey, Jamaica, IA ... 122
Sellers, John, Jr., Croydon, IA ... 124
Jones, Corky, Brownsville, NE ... 126
Thompka, Vick, Carroll, IA ... 136
Vogel, Jon K., Blockton, IA ... 136
Cordaro, Father Frank, Logan, IA ... 137
Hughes, Scott, Council Bluffs, IA ... 137

GARRETSON HEARING—FEBRUARY 11, 1987

Leahy, Hon. Patrick J., a U.S. Senator from Vermont, opening statement ... 143
Daschle, Hon. Thomas A., a U.S. Senator from South Dakota ... 146
Conrad, Hon. Kent, a U.S. Senator from North Dakota ... 153

CHRONOLOGICAL LIST OF WITNESSES

Moore, Ray, director, Agricultural Experiment Station, South Dakota University ... 148
Rogen, Mark, president, South Dakota Corn Growers Association ... 149
Engebretson, Eugene, Garretson, SD ... 151
Ducheneaux, Wayne, Cheyenne River, SD ... 155
Johnson, Charlie, Madison, SD ... 156
Williamson, Ron, Garretson, SD ... 158
Waletich, Peter H., Langford, SD ... 160
Guy, Carvin, Veblin, SD ... 162
Storms, Lena S., Tripp County, SD ... 165
Strasburg, Marty, Garretson, SD ... 167
Johnson, Rev. Earl, Dell Rapids, SD ... 168
Larson, Dale ... 170
Fisher, Rae ... 171
Nordmann, Dick H., Lennox, SD ... 172
Kilpatrick, Barbara, Ashton, IA ... 172
Cyre, Phillip K., Hazel, SD ... 172
Paulsen, Loren, Flandreau, SD ... 173
Kerkvliet, Roxy, Bryant, SD ... 174

TIFTON HEARING—MARCH 10, 1987

Leahy, Hon. Partick J., a U.S. Senator from Vermont, opening statement ... 177
Fowler, Hon. Wyche, Jr., a U.S. Senator from Georgia ... 179

CHRONOLOGICAL LIST OF WITNESSES

Page
Macklin, Harriet, legislative chair, Georgia Housing Coalition, Inc., Atlanta, GA 180
Irvin, Tommy, Georgia Commissioner of Agriculture 182
Lodge, Herman, Commissioner, Burke County, GA 184
Herndon, Max, State Director, Farmers Home Administration 186
Long, Welchel, Elberton, GA 188
Hotz, Dr. James, Medical Director, Albany Area Primary Health Care Office .. 192
Davis, Mrs. Gladys, Decatur County, GA 194
Mason, Rev. Tom, pastor, First United Methodist Church, Claxton, GA 196
McNamara, Kevin, economist, University of Georgia 197
Phillips, John, chairman, Lilliston Corporation, Albany, GA 199
  Exhibit I 201
Gamble, Wilbur T., chairman, Georgia Agricultural Commodity Commission for Peanuts 203
Tanner, Jess, regional vice president, Georgia Cattlemen's Association 204
Strickland, Frank, vice president, Georgia Farm Bureau 205
Webster, R.L., "Bobby", Burke County, GA 207
Marks, Gene, president, Georgia Milk Producers, Inc., Atlanta, GA 209
Adams, James Lee, Jr., vice president, American Soybean Association 210
Bryan, Joe, representing the peanut shellers, Damascus, GA 212

APPENDIX

MINNESOTA HEARING—FEBRUARY 9, 1987

Durenberger, Hon. David, a U.S. Senator from Minnesota, letter dated February 9, 1987, to Hon. Patrick J. Leahy 217
Turck, Howard L., Litchfield, MN, statement 219
Minnesota COACT, statement 220
Penny, Hon. Timothy J., a Representative in Congress from the State of Minnesota, statement 221
Weir, Craig, president, Minnesota Soybean Growers Association, statement 224
Christopherson, Al, vice president, Minnesota Farm Bureau Federation, statement 227
Frederickson, Dave, Minnesota State Senator from District 20, statement 228
Joseph, Burton M., vice chairman, Martrade Ltd., Minneapolis, MN, statement and additional material furnished for the record 230, 231
Bragg, Russell J., group vice president, Pillsbury Co., statement 234
Sinclair, Vaughn, president and general manager, Watonwan Farm Service Co., St. James, MN, statement 236
Paulson, Donald E., executive director, Minnesota Pork Producers Association, letter dated February 11, 1987, to Hon. Patrick J. Leahy 237
Minnesota Pork Producers Association, statement 238
Rasmussen, Ross H., Hooper, NE, statement 238
Article from Fremont Tribune, December 25, 1986, by Ross H. Rasmussen 239
Groundswell, Lamberton, MN, submitted by Delores Swoboda, statement 240
Growe, Joan Anderson, Office of the Secretary of State, letter dated February 4, 1987, with resolution No. 001, 1987 legislative session 240
Jarchow, Allan, letter dated February 9, 1987, to Senator Leahy, with enclosed article by Mike Turner and Harold Beyeller 241
Rohland, Curt, vice president, Wisconsin Farm Unity Alliance, statement with attachments 247

NORTH DAKOTA HEARING—FEBRUARY 9, 1987

Sinner, Hon. George A., Governor, State of North Dakota, statement 252
Jones, Hon. Kent, Commissioner, North Dakota Department of Agriculture, statement 253
Bergman, Alan, president, North Dakota Farmers Union 254
Tarno, Myron, Cleveland, ND, statement with attachments 261
Wolf, Albert A., counsel, letter from Independent Community Banks of North Dakota, dated February 9, 1987, to subcommittee members 268
Nygaard, Peter, immediate past president, North Dakota Wheat Producers, statement 268
Brokaw, Hon. Jim, a North Dakota State Representative, statement 269
Mertens, Henry, Devils Lake, ND, statement 270

Page
Shockman, Hon. Kelly, a North Dakota State Representative, statement........... 270
Mahar, Patrick, president, Red River Valley Growers Association, Fargo, ND, letter dated February 9, 1987, to Hon. Patrick Leahy.. 271
Anderson, Bruce, president, Ward County Farmers Union, statement 272
Lake, N. Rollie, president, Communicating for Agriculture, Inc., Fergus Falls, MN, statement.. 272
Burt, Glen W., and Brian G. Burt, Crary, ND, letter dated February 7, 1987, to Congressman Dorgan.. 272
Meyer, Ray, North Dakota State Representative, letter dated February 9, 1987, to Hon. Patrick Leahy with enclosures 273
Thompson, Robert G., chairman, GNDA Ag Council, letter dated February 4, 1987, to Senator Kent Conrad.. 277
Rice, John, vice president, U.S. Durum Growers Association, statement............ 278
Hanson, Erwin M., statement.. 278
Wolf, Archie and Diane, 21 Ranch, statement 278
Watson, Cecil, member, North Dakota Wheat Commission, statement................ 279
Position Paper of the National Sunflower Association 281
Shively, Scott, Pleasant Lake, ND, statement.. 281
Long, John, president, North Dakota Milk Producers Association, statement.... 283
Anstrom, John O., Baldwin, ND, statement 283
Berg, Gordon, State Representative, letter dated February 13, 1987, to Hon. Kent Conrad and Hon. Patrick Leahy 283
Buy North Dakota! Advertisement in the Wall Street Journal 285

NEBRASKA HEARING—FEBRUARY 10, 1987

Severens, Eugene, Center for Rural Affairs, Walthill, NE, statement with attached material 286
Neidig, Bryce P., Madison, NE, statement.. 290
Hansen, John K., Newman Grove, NE, statement.. 292
Halloran, Steve, Hastings, NE, statement 293
Kicken, Raymond K., Ainsworth, NE, letter to Senator Patrick Leahy, enclosures and statement.. 294
Brodersen, John C., Herman, NE, letter dated February 10, 1987, to Senator Patrick Leahy 297
Donnelly, Donald L., Donnelly Farms, Inc., Decatur, NE, statement 297
Nebraska Pork Producers Association, statement.. 299
Kahlandt, George H., Tekamah, NE, letter dated February 10, 1987, to Senator Leahy, Senator Zorinsky, and other members of the Senate Agriculture Committee 299
Chatt, Kathy, letter dated February 10, 1987, to Senator Leahy 300

IOWA HEARING—FEBRUARY 10, 1987

Gray, Farris, Bedford, IA, statement 302
Lindsey, Larson, Jamaica, IA, statement.. 304
Sellers, John, Jr., Croydon, IA, statement 306
Vogel, Jon K., Blockton, IA, statement 307
Yanecek, Ted, Public Affairs Counsel, Iowa Farm Bureau Federation, letter dated February 11, 1987, to Hon. Patrick Leahy.. 308
Allender, Marilyn E., Allender Farm, Jefferson, IA, letter dated February 10, 1987, to Senate Agriculture Committee.. 308
Lettow, Steve, Alden, IA, statement 308

SOUTH DAKOTA HEARING—FEBRUARY 11, 1987

Engebretson, Eugene, Garretson, SD, statement.. 312
Johnson, Hon. Tim, a U.S. Representative in Congress from the State of South Dakota 313
Williamson, Ron and Dorothy, Garretson, SD, letter dated February 11, 1987, to Chairman Leahy and members of the Senate Agriculture Committee 313
Storms, Lena S., Tripp County, SD, statement 314
Cyre, Phillip K., Hazel, SD, statement 315
Kerkvliet, Roxy, Bryant, SD, letter dated February 10, 1987, to Senate Agriculture Committee with attached material.. 315
Bjerke, Jacqueline K., Volga, SD, letter.. 316
Fisher, Marie, Spokeswoman, Women Involved in Farm Economics, statement 317

Page
Krcil, Larry, graduate student and research assistant, South Dakota State University, statement 318
Kayser, Fr. Leonard, Sioux Falls Diocesan Director, Catholic Rural Life Conference, statement 319
Zeisler, Denice, Gregory County, SD, statement 321
Berkenpas, Erin C., age 13, seventh grade, Sibley-Ocheyedan School, Ashton, IA, statement 322
Ekstrum, Richard, president, South Dakota Farm Bureau, Huron, SD, letter dated February 20, 1987, to Hon. Patrick Leahy 323
Dailey, James J., Deuel County, SD, statement 324
Wintersteen, Tom, Sioux Falls, SD, statement 324
Nelson, Harold, Newell, SD, statement 326
Bly, Mrs. Kathleen, statement 327
Tupper, Suzanne Bly, statement with attached letter dated June 8, 1984, to Hon. Tom Daschle 327
Casper, Jay, letter dated Feburary 11, 1987, to Senator Tom Daschle 331
McBrayer, Richard and Bonnie, Ethan, SD, letter dated February 10, 1987, to Senator Daschle, Senator Leahy, Senator Conrad, and members of the Senate Agriculture Committee 331
Borah, Mrs. Shirley, Oldham, SD, letter dated February 11, 1987, to members of Senate Agriculture Committee, with attachment 333
Engebretson, DeVona and Robert, Sherman, SD, letter dated February 11, 1987, to U.S. Senate Agriculture Committee 335
Timmerman, Ralph and Connie, Gann Valley, SD, statement 335
Harwood, Paul, Underwood, SD, statement, with attachment 336
Butrum, Rayburn and Geraldine, Garretson, SD, letter dated February 11, 1987, to Senator Patrick Leahy 338
Moeller, Lana Lea, St. Lawrence, SD, letter dated February 11, 1987, to the chairman and members of the Senate Agriculture Committee 338
Beck, Melvin, Wessington, SD, letter dated February 11, 1987, to the chairman and members of the Senate Agriculture Committee 338
Wagner, Theron J., Wagner's Inc., Roslyn, SD, letter dated February 11, 1987, to Senator Tom Daschle and members of the Senate Agriculture Committee 340

GEORGIA HEARING—MARCH 30, 1987

Macklin, Harriet, Legislative Chair for Georgia Housing Coalition, Inc., Atlanta, GA, statement 341
Gamble, Wilbur T., chairman, Georgia Agricultural Commodity Commission for Peanuts, statement, with attachment 342
Hotz, Dr. James, Medical Director, Albany Area Primary Health Care Office, statement 354
Tanner, Jess, regional vice president, Georgia Cattlemen's Association, statement 351
Webster, R.L. "Bobby", Burke County, GA, statement, with attachment 352
Marks, Gene, president, Georgia Milk Producers, Inc., Atlanta, GA, statement 354
Adams, James Lee, Jr., vice president, American Soybean Association, statement 355
West, Richard, mayor, city of Edison, Calhoun County, GA, statement 357
Sheffield, John E., Jr., owner, Sheffield Co., Quitman, GA:
    Letter dated March 30, 1987, to Senator Patrick Leahy 357
    Letter dated March 9, 1987, to Senator Bumpers and Senator Leahy 358
    Letter dated March 26, 1987, to Congressman Edward R. Roybal 358
    Letter dated March 26, 1987, to Congressman E (Kika) de la Garza 359
Stalvey, David Leland, Bay City, GA, statement 359

EXAMINATION OF PROBLEMS AFFECTING THE FARM COMMUNITY

Agricultural Trade

MONDAY, FEBRUARY 9, 1987

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Minneapolis, MN.

The committee met, pursuant to notice, at 1:30 p.m., in the Minneapolis Grain Exchange, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present: Senators Leahy, Harkin, Conrad, and Boschwitz.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. May we come to order.

The Senate Committee on Agriculture, Nutrition, and Forestry is now in order. This is a regularly constituted hearing of the committee. Those of you whom I have not met, I'm Patrick Leahy, Senator from Vermont. I have asked the committee to come out here with me to Minnesota, and on to North Dakota, South Dakota, and Nebraska.

We normally hold our hearings in Washington, but as a Vermonter I found that when I have gone back home to Vermont, I usually hear things a lot differently than I might hear from professional testifiers in Washington. So, what we want to do is bring the committee here and actually hear from the people. But, also I want to fulfill a commitment I made as the new chairman of the committee, and that is to get the committee out of Washington, not so that we can tell you everything we know, but so you can tell us the things we should hear; so that we can learn from you.

America is rapidly losing its competitiveness in the world economy. In 1986 our trade deficit soared to $170 billion. That is the largest in the history of this country. The economic policies of the administration have hit export industries especially hard. Minnesota, with its major farming, mining, and forestry interests, has paid a high price under these misguided macroeconomic policies.

Governor Perpich, I want to commend you and the State of Minnesota for your efforts to improve our international competitiveness. I am delighted, sir, you are with us today. By maintaining a balanced State budget you have been able to improve education and diversify your economy further into high technology industries.

The crisis in international trade has hit home on America's family farms. In the 1970's, agriculture was the bright spot of our trade picture, and now look at what has happened. In just a few years our agricultural trade surplus has shrunk to the lowest level in 20 years. In the last 6 years U.S. agricultural exports have plummeted by more than one-third, $16 billion. For the first time in more than 15 years, the United States, the most productive agricultural country in the world, actually bought more farm products than it sold during 3 months this past summer. There is no justification for that whatsoever.

For every $1 billion decline in agricultural exports, more than 3,000 families lose their farms—that is the number of farms we have in my entire State—35,000 agricultural workers are put out of work and 60,000 nonfarm workers lose their jobs. The hemorrhaging of American agricultural competitiveness has to be stopped. It has to be stopped now. It cannot go on for another year or another 2 years. The administration's answer to these problems has been to constantly recommend cuts in the Agriculture Department's export program.

The President's fiscal 1988 budget calls for a $2 billion cut in the availability of export credit guarantees while raising the cost of the remaining guarantees to purchasers. The administration seems to totally ignore the enormous danger, to our economy and to the jobs in this country, that we are now under because we cannot and are not competing in the agriculture export market.

The administration proposes scaling back the targeted export assistance program by more than 5 percent. I don't think this is sending the right signal to other farm exporters—that America is going to be a tough competitor in world markets. In fact, it signals just the opposite. To my mind, it sends a signal that America is saying we will turn it over to other countries, and I don't accept that.

So, last Thursday I introduced a trade bill which would provide a starting point to address the decline in our agricultural competitiveness. With your insights today the Senate Agriculture Committee will be able to refine our trade legislation to allow American agriculture to regain its preeminence in world affairs. Again, as I said, it will be my intention, not only this week but throughout the year and into next year, to get our committee out of Washington, to get out to the places where the decisions we make have their most impact, and where the knowledge you have can do the most for us.

I'm delighted that my good friend Senator Rudy Boschwitz invited us here and is able to join us today. Rudy is a valued member of our committee, and I yield to him.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator Boschwitz. I thank you, Mr. Chairman. This is indeed a great day for the Minneapolis Grain Exchange and Minnesota to have the Senate Agriculture Committee here. I tried to interest your predecessor, Senator Helms, in coming out to Minnesota. I also tried to encourage some Minnesota farmers to grow some tobacco but we were never successful in getting either one of those things done, getting a little tobacco grown here or getting the Agriculture Committee out to Minnesota. So we are very pleased that you are here together with Senator Harkin and Senator Conrad. Indeed we look forward to a good, productive hearing.

Let me just say a word if I may that Senator Durenberger is sorry he cannot be here. He has a letter that I ask unanimous consent to include in the record.[1]

The CHAIRMAN. Without objection, so ordered.

Senator BOSCHWITZ. I also was handed a statement by Howard Turck, a farmer from Litchfield. It is a short statement and he wanted to testify. I said witnesses had already been chosen and we may have even too many for the short timeframe we have. So I ask unanimous consent that his statement also be put in the record.[1]

The CHAIRMAN. Without objection, so ordered.

Senator BOSCHWITZ. Then one more, Mr. Chairman, and this is a statement by Minnesota COACT, with whom I don't always agree but whose views and statements certainly need to be heard. I ask that they be made part of the record as well.[1]

The CHAIRMAN. Without objection, so ordered.

Senator BOSCHWITZ. I thank you again, Mr. Chairman, for coming, and I look forward to listening to the witnesses. I quite agree with you that we are not going to hear the solutions within the beltway surrounding Washington. So much of the wisdom in Washington is thought to emanate within the beltway. We have a beltway around Minneapolis as well, and I quite agree with you that we need to be out and hoofing around the country if we are going to learn what is on people's minds.

Because of that, I will hold 17 farm hearings in every corner of the State of Minnesota during the course of this week and last Saturday. I'm pleased that you are here. This certainly is a grand opening for the Agriculture Committee of the U.S. Senate. We are pleased to have you.

The CHAIRMAN. Thank you very much, Rudy. I'm delighted to be here. My sister went to college and graduated from St. Catherine's, so she spent a lot of time here. My Godmother spent the last 35 years of her life in St. Paul, and we have a lot of friends and relatives in this area, so in a way it's like coming home.

Governor, you were so good to take the time to be here with us, and I will yield to you for your statement.

Senator BOSCHWITZ. Mr. Chairman, if I may, the president of the Exchange wanted to say a word or two of welcome. Ron Olson, who is the president of the Minneapolis Grain Exchange, is going to make a short statement of welcome.

STATEMENT OF RON OLSON, PRESIDENT, MINNEAPOLIS GRAIN EXCHANGE

Mr. OLSON. Thank you very much, Rudy. Welcome to the Minneapolis Grain Exchange. I won't attempt to compete with what is going on at the hearing today. As many of you know this institution is not only a futures market for spring wheat and options, but also represents somewhat of a centralized gathering place for the marketing of grains in the upper midwest area.

---

[1] See p. 217 for the letter from Senator Durenberger, p. 219 for the statement of Mr. Turck, and p. 220 for the statement submitted by Minnesota COACT.

As the bulk of the grain that is grown in our particular area is not consumed locally but is marketed or traded, both to the domestic consumers and overseas consumers, we feel it is quite fitting to conduct this hearing on trade policy here in Minneapolis.

We would like to extend a special welcome to the Senators, to the committee, the participants, and all the media that are attending this event. As you know this is a formal hearing conducted by Senator Leahy and we expect there will be witnesses presenting formal testimony for discussion on those particular issues.

Again thank you for coming and we welcome you to our Exchange. Senator Leahy, I will turn the meeting back to you.

The CHAIRMAN. Thank you, and I appreciate so much your willingness to open up. I know this has sort of disrupted the whole area and it is good of you to open up for us.

Governor, back to you, sir.

STATEMENT OF HON. RUDY PERPICH, GOVERNOR, STATE OF MINNESOTA

Governor PERPICH. Thank you very much, Mr. Chairman. It is, of course, my privilege to welcome the members of the committee to Minnesota and to thank Chairman Leahy for providing us with this special opportunity to testify before you today.

It's commendable, Mr. Chairman, that you have taken the initiative to bring the committee to Minnesota. I don't know when we last had a Committee of Agriculture here in Minnesota.

I can assert today that Minnesota has done more in the past 4 years than almost any other State to help struggling farmers. We have spent more than $20 million in an interest buy-down program to leverage $400 million in low-interest farm operating loans. We set aside $50 million for a $100 million farm debt restructuring program. That program is beginning. We have reduced property taxes in our efforts in the State legislature and also reduced the sales tax on new farm equipment to 2 percent and removed it completely on used and on parts. We rewrote our banking laws to give more protection to our farmers. We did that last year. We have a mandatory mediation program that I believe is one of the best in the country. Our Farm Advocates Network, a system of farm credit counselors, has now been adopted by 10 other States.

We are spending $16 million this biennium in our Reinvest in Minnesota or RIM program to take marginal and fragile lands out of production. For this next biennium we are recommending a $36 million program and I am proposing to the legislature a 15 year program, $600 million to take 2 million acres of marginal land in Minnesota out of production. That is a win, win, win situation. It's a win situation I believe for the farmers, put some cash in their pocket, it's a win as far as the environment because of the marginal lands, and also of course it helps regenerate the land and the water. That is one part of the program that dovetails in very nicely with the conservation reserve and we are very supportive of that program. It's working and working well. The farmers and people of

Minnesota are very supportive and are willing to support that program financially.

In addition Minnesota has launched innovative programs to promote exports of agricultural products. In 1982 Minnesota became the first State to establish an export finance agency and has issued loan guarantees for millions of dollars of exports. Most of them are agriculturally related. Minnesota is the first State to export live dairy cattle to the People's Republic of China and of course worked very closely with the Republic of China in grain sales to that country.

But despite these many efforts we have succeeded in only treating the symptoms and not the root cause of problems in our rural areas. I submit today that the only real, long-lasting solutions must come in the form of a balanced Federal budget, a fair, predictable U.S. trade policy, and a fair price for our farmers.

Over the years we became a strong nation by growing and exporting grain and by making and exporting machinery, clothing, shoes, and computers. Today one of our major exports is jobs. The Federal deficit and the strong dollar has been worse than an embargo affecting not only farm commodities but also manufacturing goods. The strong dollar is literally like an export tax on goods and on our farm products. Compounding this problem is a weak national trade policy.

Our trade deficit is spawned by this Nation's willingness to accept subsidized steel, subsidized computers, subsidized food at the cost of millions of jobs.

The nations which export these items to the United States do so out of a national objective, a national objective which serves them well because we have no national objective to preserve jobs in this country. Our trade crisis demands immediate changes in trade law and policy. we must engage in tougher trade negotiations and more of the energy of these talks must be focused on agricultural commodities and ways to break down nontariff barriers. We must do a better job of promoting U.S. food products, the safest and healthiest in the world.

The time has also come for Congress to pass legislation that will give farmers a fair price in the marketplace. Farm prices have been forced to the lowest level in 15 years because of a constant and consistent lowering of the loan rate over the past 5 years. The major thrust of the 1981 and the 1985 farm bills was to lower farm prices in order to increase farm exports. That policy only accomplished half of its goal as farm prices were cut in half, however exports fell 40 percent from a peak of $44 billion in 1980 to $26 billion in 1986. So farmers now receive a low price on their entire 8 billion bushels of corn production so they may export 1 billion bushels. Now lowering domestic prices in order to increase foreign export means suffering for the States that produce food, timber, iron ore, and oil.

Mr. Chairman, I was Governor in 1977 and 1978 and lost and then represented a Minnesota company for 3 years in Europe. My eyes were opened like never before, because I saw firsthand that it isn't a fair trade policy that we have. Time and time again we would lose in efforts and contracts because the foreign governments, literally the foreign governments, were subsidizing our competitors. And steel, I could see that offices being closed by representatives of the U.S. steel companies because there is no way they can compete, no matter what their bid was, when the next bid came in 10 percent below ours. So it's not a fair trade policy, those companies are subsidized and you can't win. Because of the steel industry for example again it's government owned and subsidized. The same thing with the food policies as I will quote in just a few minutes. So, until we get that fair trade policy you can't win.

So, this is a system that also creates a great deal of uncertainty for farmers because farmers now receive 50 percent of their income from Government subsidies they are at the mercy of every chop of the Gramm-Rudman Act, the administration, and of course Congress. Despite promises to protect farm income the Reagan administration is now trying to cut target prices by 40 percent for the next 4 years. The administration also proposes to cut the 18 cents per pound sugar loan rate by 33 percent next year. One of the few areas of Minnesota that is doing reasonably well they even want to screw that up like they have all the rest of the farm commodities we have.

The CHAIRMAN. I know that everybody has their own strong feelings and we like to get everyone's reaction. But as each witness is limited to only 5 minutes I might say that every time there is applause or anything else, it is going to cut into the time.

Governor PERPICH. Taxpayers and farmers would be the big winners of the farm program that paid farmers a fair price and such legislation of course was introduced by Senator Harkin of Iowa and I ask that committee members keep an open mind on this bill. I'm very supportive, and of course, was there when Senator Harkin introduced his legislation Thursday. This legislation could save taxpayers billions of dollars per year and help us regain lost export market. It is important to realize that a fair price will not reduce our farm exports. American farmers are not competing against farmers in exporting nations but against direct export subsidies in those nations.

A key way we can regain lost export markets is through direct export subsidies and with more than 5 billion bushels of Government grain in storage we have a vast arsenal at our disposal for direct export subsidies. Taxpayers will also benefit by saving some of the $2.5 billion we spend to store surplus commodities.

So, Mr. Chairman, I believe Federal fiscal policy and Federal farm policy must be harnessed to preserve agriculture which is the economic foundation of rural Minnesota and of course the midwest. In addition we need a fair trade policy which represents agriculture well.

So, Mr. Chairman, I want to thank you and members of the committee for coming to Minnesota and considering the viewpoints that have been presented to you today. I could go on at much length, Mr. Chairman, but recognizing the time constraints but the fact is the present farm policy isn't working. We are fast becoming a two-economy State in Minnesota; the seven-county metropolitan area that is booming and doing well and the rest of Minnesota that is literally in a depression. Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Governor, and there is no question we could spend a couple of weeks having testimony but unfortunately we can't and the question was whether we would do a small amount and get some idea of it or not doing it at all, and I would rather do the small amount and get some idea, especially the lunch we had and others we talked with.

What I'm going to do before we have any questions is present a panel of farmers; Craig Weir, who is a soybean farmer; Jerry Kruger, who is a wheat farmer; and Larry Johnson, who is a corn farmer. Am I correct so far in all of that?

Al Christopherson over here is from the Minnesota Farm Bureau and Dave Fredrikson is here in his capacity as a Farmers Union member and not as a member of the legislature. Is that right, Senator? You can be here in both capacities if you would like.

I ask each one to go for 5 minutes. Your whole statement will be made part of the record. Please outline the points that you would like the committee to hear, and then we will open up to questions. So we will start with Mr. Weir, Craig Weir, who is the soybean farmer.

Senator **Boschwitz**. All of these farmers kind of grow a little of everything.

The **Chairman**. I understand that. I suspect if he is a soybean farmer he probably grows a little corn now and then too.

STATEMENT OF CRAIG WEIR, PRESIDENT, MINNESOTA SOYBEAN GROWERS ASSOCIATION

Mr. **Weir**. Mr. Chairman, I'm Craig Weir, a farmer from Delavan where I grow corn and soybeans about 50/50. Today, I represent the Minnesota Soybean Growers and their nearly 2,000 members. The Minnesota Soybean Growers appreciates this opportunity to appear before the committee today to discuss trade challenges and opportunities that lie ahead for the soybean industry.[1]

Today's trade issues involve growing foreign production and disputes with the European Community which buys over 20 percent of our soybeans each year. These are very serious trade problems which will hurt profits for Minnesota soybean farmers unless they are successfully resolved.

When I plant my soybeans this spring one out of every two rows will be planted for the overseas market. About half of Minnesota's 170 million bushel soybean crop is destined for export. There was a time when the United States completely dominated the world soybean trade. Those days are gone. The ill-conceived 1973 soybean embargo and the three following embargos through 1980 spurred Brazil, Argentina, and the European Community to develop their own soybean industry. American soybean farmers are now paying the cost of 1970's embargo and they face various growing competition from Brazil and Argentina today. The high-valued dollar of the 1980's didn't help either. It is shocking but Brazil and Argentina now occupy the same position in world soybean trade that the United States once held. Our position in the soybean market itself, though still dominant is not nearly what it once was. We believe Minnesota soybean farmers are competitive producers of soybeans and that in a world of reduced production and export subsidies their market share and profitability will improve.

---

[1] See p. 224 for the prepared statement of Mr. Weir.

There are several steps the U.S. Government could take to help turn this situation around for the American soybean farmers. The use of the export enhancement program for soybean and soybean products would be helpful to regain markets lost by the U.S. soybean producers to subsidized foreign competition. The administration could take action to get the Argentines to end their complex export subsidies for soybean meal and oil that have contributed to that country's expanded market share. We urge the committee to develop solutions to the Latin debt problem that do not mean lost markets for U.S. soybean farmers.

Third World debtor nations, especially in South America, must earn foreign exchange to pay their external debts by reducing imports and maximizing exports, often agricultural exports. The U.S. farmers see their exports fall to these nations while the same countries now compete for traditional U.S. farm markets.

Minnesota soybean farmers understand we live in a competitive world. We believe we have the ability to be more efficient and more competitive than farmers in Brazil and Argentina. However, the challenge is significant. These two countries have very low land costs with much virgin land ready for expansion, few soybean diseases, and most of the same technology available to U.S. farmers.

Minnesota soybean farmers are committed to doing their part to outcompete foreign competition but we are bothered when our own Government takes action that directly helps foreign countries compete with us in world markets.

For example, the World Bank approved loans recently to Brazil and Argentina to enhance their soybean industry. Perhaps the most significant was a $350 million loan granted by the World Bank to increase Argentine exports of soybeans, sunflowers, and other grains.

We urge this committee to remain vigilant against such loans not in the interest that help fund increased production abroad of commodities exported by the United States and already in surplus in world markets. Encouraging such surplus production means farmers in the United States and South America alike will have to sell at prices below real production costs.

Another major soybean trade challenge is to maintain and build demand in the European Community. About half of the U.S. soybeans are bought by the European Community as whole soybeans or soy products. Since 1962 the EC has granted us duty-free access to their market. The EC has now decided to increase its self-sufficiency to decrease its dependence on the United States and is rapidly expanding its oil seed production through the use of very high production subsidies, over $15 a bushel this year.

To further increase its oil seed production the EC is now debating a new fats and oils tax to discourage consumption of soybean oil and soybean oil products within the Community. It's important that the U.S. Government support American farmers by strongly opposing the fats and oil tax and taking necessary retaliatory action to prevent its adoption. The tax would raise millions of dollars annually within the Community to finance additional crop production including oil seeds. Soybean farmers believe that adoption of this tax would violate the EC duty-free binding of soybeans.

Mr. Chairman, soybean farmers are working hard to meet and outcompete foreign producers of soybeans and soybean products. Part of the winning formula for contribution we make through our checkoff program that helped fund 400 market development projects in 84 countries. We are also helping to fund development of new soy-based products to create more demand to match our tremendous production potential. However, many of the obstacles to increase soybean exports have been created by policy decisions of our own Government. Soybean farmers must not be expected to bear the cost of these decisions. Thank you.

Neither can we export our way to prosperity if we must sell our production at a loss to meet competition that is subsidized by their government or protected by trade restrictions. Soybean farmer income must be protected at least until there is truly free trade.

The **Chairman**. Thank you.

Mr. **Weir**. In conclusion I would like to state that together with soybean farmer commitments to competitiveness and building new markets and a commitment by our Government to work to reduce foreign subsidies, increased market share and restructured Latin debt that we can be ready to profit in the future. Thank you.

The **Chairman**. Thank you very much.

Our next witness will be Jerry Kruger who, along with other members of his family, and correct me if I'm wrong, operates a 1,500 acre farm, produces wheat, sunflowers, and barley, is a Minnesota certified registered seed producer, and is president and chairman of the Wheat Council's Research Committee, is that correct?

STATEMENT OF JERRY KRUGER, MEMBER, U.S. WHEAT ASSOCIATES

Mr. **Kruger**. Thank you, Mr. Chairman and committee members. It's a pleasure to be here today and we are happy that you could come to Minnesota and listen to some of us farmers.

As you said my name is Jerry Kruger, I'm a wheat farmer from Warren, Minnesota. I'm immediate Past Chairman of the Minnesota Wheat Research and Promotion Council and I presently sit on the board of U.S. Wheat Associates. Minnesota wheat contracts with the U.S. Wheat Associates for foreign market development programs.

Today my comments will deal with the need to expand agricultural exports from a producer's perspective; where have we been, where are we headed, and what should our goals be. Wheat exports have dropped from a peak of 46.4 million metric tons in 1982 to 24.9 million metric tons in 1986. This unbelievable 46 percent decline in exports along with an additional 50 percent drop in value of product has caused the disaster we now have in rural America. It has caused the disaster we now have in the balance of trade and it has caused the disaster we now have in agribusiness.

I see four issues we must address. The most serious of these issues is that of U.S. trade policy or the lack of it. We need a commitment to a long-term, fair, consistent export policy. And there must be a separation of foreign policy from trade policy and there can be no restrictions in the form of embargos and the like. Embargos send an immediate message to the world about our reliability as a food supplier and the cost is borne by the producer-taxpayer. We do have export programs but these are practices, not policies. Programs and practices are subject to the whims of politics, foreign and domestic. When we play politics with food this drives countries to attempt self-sufficiency at all costs. Our producers have made long-term commitments to feed the world. We need a trade policy that is equally committed.

This reminds me a little bit about the story about the farm animals deciding what they are going to have for breakfast. They took a vote on it, they decided they were going to have bacon and eggs. There was one dissenting vote, that was the pig. He decided that it was a total commitment for him, for the chickens it was just a contribution. Our producers are committed; where is our policy?

This leads to the second issue in expanding trade exports, the issue of trade subsidies. We have found that trade subsidies are becoming a necessary tool in export marketing. I see that this has happened because of one, a lack of a consistent trade policy; two, because of trade practices of competitive export countries including the European Community and others; three, because of the relationship of our dollar to those of our competitors.

A farmer cannot compete with a foreign government for world markets nor can he effectively compete with the handicaps of an inconsistent trade policy or a monetary fiscal policy that prices his product above the market.

Until such time as we can compete as individual producers we must have export programs that help us in becoming price competitive. Somehow we need to address the issue of fair and equal treatment of all our customers. It's pure foolishness to demand our old, reliable customers to pay regular prices while giving fire sale prices to special customers. That practice will surely lead us down a path of further loss of export sales. It's hard to imagine a good salesman like Rudy having a half-price sale and only allowing special customers to buy at that price.

Senator **Boschwitz**. I don't do that, at least not in plywood.

Mr. **Kruger**. Issue number three is Third World debt and our surplus stocks. Numerous food-deficit countries continue to experience financial difficulties that restrict their buying capacity. A combination of debt restructuring, financial assistance, and major debt forgiveness may be necessary for the economic survival of these nations. Their economic survival is essential to our economic survival. Could we use the surplus grain stocks of the U.S. as financial assistance to these qualified countries? They would then be expected to use the value of that grain to help repay their debt to U.S. banks, debts that may not be repaid by any other means.

A separate but also important issue in maintaining export markets is that of grain quality. The competition is delivering a cleaner, more consistent product. Our system must adjust itself to meet the competition or lose sales to these quality-conscious customers.

Briefly then, the expansion of our export markets, as I see it, depends on establishing a long-term commitment to a consistent, fair export policy; two, the fair and equal treatment of all customers in using export subsidies; three, the development of Third World deficit nations into reliable customers; and four, the delivery of a desirable, good, clean product.

Thank you, Mr. Chairman, Senators Boschwitz, Harkin, and Conrad.

The CHAIRMAN. Thank you very much, Mr. Kruger.

Our next witness will be Larry Johnson. The notes I have on you, Mr. Johnson, say you have been a farmer for 23 years, you raise corn and soybeans on a 400 acre farm and you are the immediate past president of the Minnesota Corn Grower's Association. Does all that sound familiar?

Mr. JOHNSON. That is correct.

The CHAIRMAN. Would you please go ahead, sir.

STATEMENT OF LARRY JOHNSON, IMMEDIATE PAST PRESIDENT, MINNESOTA CORN GROWER'S ASSOCIATION

Mr. JOHNSON. Thank you very much.

The key word used today in Washington is competitiveness, and I wonder who has really made the definition of that word competitiveness as it is looked at in a world perspective. To be competitive with the rest of the world we would hope that we are still able to maintain our standard of living. In that respect, we cannot be competitive if we have to lower our standard of living to that of the Third World countries to maintain that competitiveness. We have to look in agriculture at our overhead costs. We have built in a tremendous overhead. Whether it was done right or not, we have it, and we now have a lot of money borrowed on our assets at inflated values. Much of that value we have already lost. Many of us are paying 12 to 14 percent interest on these asset values. That makes us technically noncompetitive. How is that going to be addressed? Are we going to sacrifice the whole ag picture because of that?

Let's look at some of the competitiviness issues when we start talking and using the word "competitiveness" loosely. We have some real concerns about what is happening in world trade and how our Government is, or is not standing up for us. The export enhancement program that we have in this 1985 farm bill does not work because it has not been used. We don't have a consistent trade policy! If we wanted to trade, using the export enhancement program, we would have to go through STR, Department of State, Department of Commerce, USDA, and then OMB has to approve it and therefore the EEP is not being used. We are losing the trade to the tune of $170 billion a year. We cannot continue to operate as a country that way.

We have lost the Soviet markets. We have lost it, if not because of all of the bungled negotiations and embarrassment, we have lost it through price. Europe is beating us on price. We tried to give the Soviets $13/ton subsidy when the EEC was offering wheat for less. Five dollars more would have made a sale for us. Europe took that sale away from us. The Soviets have not honored the long-term agreement that we have with them. Technically they say they are not liable to honor it and that they don't have to. Well, whatever is technically correct or incorrect we need that market.

What is wrong with most-favored-nation status for all countries? Why can't we treat them all equally? Let's separate economics and State Department policy. It has to be done so that we can survive economically. The countervailing duty that the Canadians filed against U.S. corn growers is another issue. We just last week were up in Ottawa trying to defend the 1985 farm bill in the public hearing. I believe we are going to win that suit. But the National Corn Growers had to pick up the bill to fund this. We have to write some new legislation so that we can address these suits in the future. We cannot continue to have countries attacking our farm bill, and our farm policy, and our trade policy and then depend on an individual association or corporation to defend our interests. We need Government support to do that. The corn growers cannot afford to fight too many more.

France has filed a countervailing duty suit on gluten feeds. There will probably be more to follow. Who is going to pay for them.

Dollar value fluctuations; How do we address that in a consistent trade policy? We look at Europe as our biggest competitor right now. The intervention price on wheat is five forty-seven. Our loan price is two twenty-eight on wheat. Our sugar program is under attack. Our sweetners from corn are part of that program. We have an 18 cent sugar support price. The intervention price for sugar in the European Community is 36 cents. They are supporting their farmers. It's costing them. We have to realize the value out here of our agricultural produce, and create the Government commitment we need to support our farmers and to maintain the structure out here that is of value to this country. On the European enlargement issue, we feel that we got sold down on the river on the enlargement issue. We wanted the 4.1 million metric tons of corn that we were entitled to. The United States negotiated a settlement of half of that which isn't even an absolute negotiation because they can substitute with gluten feed substitutes and citrus products. I think we have lost the entire market.

Norway, Morocco, Tunisia, and Algeria are targeted for the next E.E.C. expansion. Are we going to stand for what we are entitled to there? Under the GATT rules we are entitled to reimbursement, and compensation for all these markets we have lost. But our Government is not standing up for us. We need a trade policy.

We heard in the State of the Union message, that the President said we are going to be "partners, not patsies." That was 24 hours before we gave this away. He said "free and fair trade around the world." Those are a lot of words, and we are getting tired of trading a lot of words when we don't see policy to back it up.

We hear about the "price from the marketplace". A Government-mandated price is not a "price in the marketplace." That is just another way of putting a new definition on Government price supports. Some people talked about decoupling payments being welfare. I don't care where the money comes from if we can maintain a structure out in rural America. It has to be done. So let's not play games with words, let's try to get a policy together. The corn growers want a marketing loan that would make the Government subject to the law and then nothing else would be necessary, it would be simple.

One final point, let's talk about a balanced budget. We used to always come out in favor of balanced budget. No longer is it that important. We are looking for survival out here. In 1985, entitlement payments made up 41 percent of the budget, defense 27, and net interest 14 percent. That left 19 percent to possibly make budget cuts. It cannot be done! The Government of this country is being run just as we ran farms back in the 1970's. We had the banker call our loans. Who is going to call the Government loans? I think the world is going to call in your loan pretty soon if you don't change our policies.

So, we would like to see a marketing loan, we would like to see support for our ag products and realize the value we have in them. I would be glad to expand further at another time with our new usage and product utilization program that I don't have time to get into now. But I apologize for not having any written testimony. I have to leave, I have to catch the flight back to our State Corn Growers convention in Marshall. I appreciate the chance to be here.

The CHAIRMAN. Thank you, Mr. Johnson, we appreciate you being here and wish you a safe flight back. I hope you feel it's been worthwhile. I would never have been able to get you in Washington but at least we can hear you here.

Senator BOSCHWITZ. He comes to Washington.

The CHAIRMAN. I thought I had seen him before.

Mr. JOHNSON. Yes, I have a National Corn Grower's position and just recently, so I expect we'll be in touch again.

I pass this around as what I think is a very good representation of our trade policy. Pat Henderson has it. I think she will get it around.

The CHAIRMAN. Somebody give me a copy. I would love to see it.

The next witness is Al Christopherson who operates a cash grain livestock farm near Pennock. He is currently vice-president of Minnesota Farm Bureau Federation, and it's all yours.

STATEMENT OF AL CHRISTOPHERSON, VICE PRESIDENT, MINNESOTA FARM BUREAU FEDERATION

Mr. CHRISTOPHERSON. Thank you. Good afternoon, Mr. Chairman, and members of the committee. My name is Al Christopherson and I'm a grain farmer from Pennock in western Minnesota, Kandiyohi County.[1] I'm also vice-president of the Minnesota Farm Bureau Federation which is a general farm organization of 32,000 families representing producers of all commodities. I appreciate the honor and the opportunity to appear before you today as you examine the agricultural trade situation.

American agriculture perhaps better than any other sector of the economy has long recognized the importance of trade to its well being. Over the 5-year period from 1982 to 1985 the United States exported roughly 60 percent of its wheat production, 58 percent of its soybeans and 30 percent of its corn. Despite the decline in our farm exports and the resulting reduction in the farm trade surplus in recent years U.S. agriculture remains heavily dependent upon exports. Trade legislation needs to attack the causes of the current trade problems, not simply respond to the result. The result is the trade deficit. Causes include stagnant foreign economic growth, the U.S. budget deficit, foreign unfair trade practices, and reduced U.S. competitiveness.

---

[1] See p. 227 for the prepared statement of Mr. Christopherson.

In the upcoming trade debates in Congress arguments may claim that U.S. agriculture should also seek protection from imports since our farm trade advantage has declined in recent years and we are becoming dependent upon foreign food.

Farm Bureau does not hold to such a view. Our trade advantage has unfortunately declined from $27 billion to $5 billion in the past 5 years. This $22 billion reduction is largely due to reduced exports which have fallen by about or around $18 billion rather than the increased imports. We believe the focus of trade legislation must be expanding exports but we will continue to oppose imports of products that compete unfairly in our market. Our trade laws need to be improved to deal with such unfair imports more quickly and in a more effective manner.

Farm Bureau believes that any trade bills should address the following general goals; first, it should be export oriented rather than import protectionist. It should aim at getting our own house in order in terms of removing existing barriers to U.S. competitiveness. It should strengthen our ability to respond to foreign unfair trade practices by making the trade complaint process more responsible and less costly to domestic producers and by reducing foreign policy influence over legitimate trade concerns. It should promote market-oriented foreign economic development and address the problem of the enormous foreign debt burden in the countries that represent potential growth markets for the United States.

We further believe it should not contain specific commodity imports restrictions that would further or that would result in retaliation against U.S. exports, particularly of agricultural products. In recognizing that the trade problem for U.S. agriculture is declining exports, Congress took steps to reverse this situation with the passage of the 1985 farm bill. For the first time in several decades we have in place a more market-oriented farm program that is beginning to turn the export situation in a more positive direction. It is also getting the attention of our world competitors. They are very aware of the direction we are taking and they are concerned.

No longer is the United States providing a price umbrella that overstimulates world production of our major export commodities. For these and other reasons Farm Bureau opposes any change in the farm program which calls for massive acreage cuts or strict Government controls and production. The history books have shown that such actions have not worked in the past. As the U.S. cuts——

[Loud voice from the audience.]

The **Chairman**. These hearings, while being conducted in Minnesota, are being conducted under the same rules that any Senate hearing is conducted, whether here or in Washington, DC. The Chair will insist on decorum of those who are guests of the U.S. Senate in these hearings. You may continue.

Mr. **Christopherson**. As the United States cuts production other nations increase theirs. Take for example the 1983 Payment-in-

Kind Program. American farmers voluntarily idled 78 million acres while foreign competitors increased planting by 63 million acres. We believe that proposals for mandatory acreage cutbacks in production controls would worsen the situation in agriculture even though they claim to increase farm prices. Our organization's major goal is to increase net income for farmers. Higher commodity prices look like a great solution to the problem but when the higher prices are only for a fraction of our traditional output we haven't gained anything. Mandatory controls would mean higher feed costs and increased competition for livestock and poultry producers as grain producers get into the feeding business to utilize overproduction. High farm prices will discourage farm exports and require strict import controls to prevent foreign countries from flooding the United States with lower cost commodities. Further cutbacks in farm production would be crippling to rural businesses. And quota systems would have a severe effect on real estate values as ag land is taken out of production.

The claim that mandatory controls would cost taxpayers less is not true. Such proposals would actually cost additional billions in export subsidies if the American farmers were simply to maintain their 1986 level of farm exports. Yet perhaps our biggest concern is a philosophical one. Should farmers be allowed to conduct their business as individuals or should the Federal Government run it for them? Farmers, taxpayers, and consumers should consider the Federal budget and the past failed attempts by Government to manage agriculture. It is wishful thinking to expect that strict Government controls on production and higher prices will ensure financial success to farmers.

Again thank you for the opportunity to express our views on this issue.

The CHAIRMAN. Thank you, Mr. Christopherson. I would note that on this first panel, because we have a concern by one group here that farmers have not had a chance to testify, we have now heard from a fourth or a fifth person from the group of operating farmers. In this next panel will be Dave Frederickson. Senator Frederickson is a grain farmer from Swift County and a former county president of the Farmers Union, is that correct, Senator? I will now turn it over to you.

Mr. FREDERICKSON. Thank you, Chairman Leahy and members of the committee. For the record my name is Dave Frederickson. My wife Kay and I and our two daughters farm in Murdock, MN. And that is if you take Wayzata Boulevard, Senator Boschwitz, I think you can find it, straight west on Wayzata Boulevard to County Road 33 and you are there.

Senator BOSCHWITZ. It's hard to hear up here. Say that again.

Mr. FREDERICKSON. It's straight west on Wayzata Boulevard to County Road 33, that is 128 miles and you are home.

The CHAIRMAN. I might note he tells Rudy how to get there, he knows darn well I would get lost on the way out there. Go ahead.

Mr. FREDERICKSON. It's the same farm that I grew up on, it's the same farm my dad grew up on, and it's the same farm that my granddad grew up on. With your permission, Chairman Leahy, I would like to have my prepared testimony inserted in the record and I would like to just speak candidly for a few minutes.

The **Chairman**. The full statement will be made part of the record and the floor is yours.[1]

STATEMENT OF DAVE FREDERICKSON, MINNESOTA STATE SENATOR FROM DISTRICT 20

Mr. **Frederickson**. Thank you. I'm sitting close to the crack here. I hope there isn't a statement in that in terms of agriculture.

A little bit of background. I left the farm in 1962. I'm 43 years old, graduated from high school in 1962 and I indicated to my dad at that time I would like to farm. He said, "No, get out of here, and get a college education. You can always come back to the farm."

So 13 years ago my wife Kay and I came back to the farm. We came back there for a variety of reasons, number one probably due to a commitment to tradition. The farm has been in our family for many, many years. No. 2, possibly to a commitment to a lifestyle, and lastly but certainly not the least of the reasons was a commitment and an opportunity to make a living. That is the problem that I'm having today, we are having a difficult time making a living farming in 1986.

Just to dramatize that just a little bit, the community that we live in is a town of 350 people. In 1977 we were having some problems holding our school districts together so we thought it would be a good idea if the next town, the neighboring town, the town of Kerkhoven, and the town of Murdock which we live in maybe we should get together. And over in the Murdock area we are a bunch of fighting Irishmen and over in the Kerkhoven area they are a bunch of Norwegian Lutherans so you can see some problems right off the bat.

But after a period of time we managed to consolidate those two school districts and we have worked it out we had 805 students in school. I served on that board all through those consolidated years and recently resigned in the month of December and when we consolidated that school district just again to dramatize what is happening in eastern Swift County particularly we had 805 students in the school and today we are going to break 600. We are going to break below 600. That is 200 and some odd students. And this year alone we have lost 25 kids. That is not from attrition, it's from moveouts, it's from moveouts, and that is a real serious problem. Of course, what affects public education affects agriculture and affects small business in that area.

This is kind of my annual report to you, Senator Boschwitz. A year ago Governor Perpich, Commissioner Nichols and I stopped down, I think you recall, and we talked about some of the things that we could do to improve the agricultural situation. I recall you and I talking personally about that. One thing you indicated was to tighten belts.

I tightened belts this year both physically and financially. We cut family living, we did everything possible that we could to make things cash flow, so we did do that. I'm trying to remember. That is a year plus ago. Oh, the other thing you suggested was possibly you could share costs. My family operation involves two uncles, one of whom is here today, and we have shared costs for many years. We have one of those big high-priced combines that cost a hundred plus thousand dollars, but by sharing those costs we were able to cut our cost per acre down to $10.81 per acre. That is pretty good in 1986 to be able to operate that machine for that kind of money when you look at the cost of leased equipment or rented equipment or customs operators at $18 an acre. I think we are doing pretty well there.

---

[1] See p. 228 for the prepared statement of Mr. Frederickson.

Another point that you indicated was to pick a price and sell when we get to it. We haven't got to it yet, Senator, we just haven't made it there.

The other thing, and you didn't say this and I'm glad you didn't, but many of the banking people have indicated that possibly a way to work our way out of this situation is to seek off-the-farm income. I'm a recently elected Senator to the State of Minnesota. Now there are a variety of reasons why I ran for that job, not the least of which possibly is the salary. I'm happy to say because of that situation my cash flow is a little better in 1987. That is really a sad situation though to have to look at off-the-farm income to make a cash flow.

I serve as the vice-chair of the Senate Agriculture Committee and I'm here today as a farmer but I can't help but make reference to these kind of things. We have spent, let's see, session began on January 9th, spent endless hours trying to determine ways to make the mandatory mediation provision work well for the people of Minnesota. We have spent endless hours here in Minnesota trying to develop ways to find money to fund interest buydowns for farm families in Minnesota. The thought occurred to me today as I came from two hours of ag testimony similar to what we are hearing here only I was sitting on that side of it trying to scratch my head and understand how to put all of this together to make good policy for Minnesota. We were talking, of all things, about farm families asking for money to be released to pay family living when they are in a mediation provision. I'm banging my hand here because I feel strongly about this. And the thought occurred to me that here we are spending hour upon hour upon hour trying to figure out how to keep farm families existing and determining things such as should we allow the AFDC requirement to kick in so if they are making off-the-farm income of up to $600 should they in fact be able to collect more money off the farm for farm proceeds. And I thought my goodness, we wouldn't have to spend any of this time if all we could do was get $3 a bushel for corn and we would be doing a whole lot more better things in the Minnesota Senate than we are doing right now.

The Chairman. The first question——

Mr. Frederickson. Can I—my time is up?

The Chairman. Go ahead, finish what you were going to say.

Mr. Frederickson. I just want to implore the committee that with one stroke of a pen you could take care of a lot of problems in rural Minnesota today and I really thank you for the opportunity to be here to talk to you today.

The Chairman. I appreciate that and maybe as they say, the pen is mightier than the sword Mr. Frederickson. I'm not sure that our pen is quite that mighty, Senator, but I appreciate the compliment.

You said in your prepared statement that it's time to stop calling today's farm policy voluntary. Quoting from your statement, "As one farmer recently said, the quickest way to bankruptcy is to not participate in the program. The second quickest way is to participate".

Well, I am concerned that in some of these areas you may be right. I'm also concerned about what you spoke of, as we are here, how we prepare export markets; the world demand for our farm products remaining sluggish. We have a constantly shrinking world market, partly because of competition from other countries, and partly because of increased self-sufficiency in countries that were once markets of ours—the so-called green revolution.

There is another reason, too. Our foreign competitors appear willing to match or beat our prices no matter what it does to them. So, we really come down to a very basic question I would ask any member of the panel who has just testified who would like to speak to it: Are we fighting a hopeless cause, or can we make American agriculture competitive in world markets again, and, if so, how? Does anybody want to try that from this panel? Then we are going to go and probably ask the same question of the next panel, but anybody want to take a stab at this one? Mr. Weir?

Mr. WEIR. I think we can. I don't think the battle is at all hopeless, Mr. Chairman. We need to take a look at some of the reasons why we are not competitive, and I'm not so sure the fact that we are efficient producers, you know, can't get lost in the shuffle here. I think we can compete on an international basis in the markets but we cannot compete against our Government and we cannot compete against a foreign treasury. So, you know, if we could find some magic solution to eliminate all the foreign subsidies overnight I think a lot of our problems would probably disappear. I doubt that is going to happen and probably the only way we can protect our interests is to match them or at least get serious about trade and not fight it in a similar fashion that we fought the Vietnam war, with one hand tied behind our backs. We have really got to go after this thing if we are going to really change the whole trade picture. I don't think low prices alone, you know—we can get down, you know, how cheap do we have to get? If we have to get down way below our cost of production just to move commodities did we gain anything?

The CHAIRMAN. But you don't feel that this country and the Government, if I'm understanding you correctly, you don't feel it's been anywhere near aggressive enough in world trade.

Mr. WEIR. Absolutely, I don't think——

The CHAIRMAN. You think it's like fighting a battle with one hand tied behind your back?

Mr. WEIR. I——

The CHAIRMAN. I must tell you I agree with you, I agree with you absolutely.

Senator Boschwitz.

Senator BOSCHWITZ. Well, Mr. Chairman, I'm not sure that I agree with that statement.

In the 1970's the Russians made a decision that they are not going to slaughter their animals, and that they are going to buy feed rather than do that when they had a short crop. Their crop had varied by 160 to 230 million tons a year so when they have a low side they buy a great deal. So they decided not to slaughter their animals and came onto the world market very suddenly and decisively as you will recall.

And then back in the 1970's as well of course the world economies were in good shape. People had the money to buy and those that didn't have the money to buy found it was very easy to borrow money. All these recycled petro dollars were around and interest rates were cheap. Real interest rates were very cheap and particularly for farmers because the Farm Credit System sometimes was loaning money even below the rate of inflation. So that the temptation to expand was there. Of course their advisors were telling them that a smart farmer is leveraged.

It's amazing, you know, that farmers would come to the cafe in the morning and sit around and figure out that on paper they were all millionaires. Despite that very heady feeling that they must have had, most of them didn't bite and most of them took a more conservative course in handling their affairs.

The 1970's also saw a very cheap dollar. The 1970's also saw good weather in the United States while the weather in the rest of the world not so good.

Absolutely everything reversed in the 1980's. The Russians were embargoed on January 4th, 1980 and have never been very good customers since that time. That embargo also encouraged other people to go out and produce more, the Argentines and Brazilians. The Australians moved their agricultural production right out to the outback. The dollar became very expensive, interest rates become very expensive, the economies have got to be recessed rather than having good times. We had the recession from which many of the countries have not yet recovered. And the interest rate, of course, went very high, much above the rate of inflation. So that I think that those economic factors as much as anything, and many of the witnesses have touched upon them today, have been the cause of most of the problems that we see. You really can't fool economic realities over a long period of time and so I try to fashion my agricultural thinking along those lines.

You asked one of the questions I was going to ask the farmers; do you think that in an open market, and I ask them again, Denny and the others, in an open market can we compete on world markets or have we become noncompetitive in your judgment? If each one of you would answer that very briefly and perhaps also Jerry Kruger.

Mr. JOHNSON. The question is, Senator, can we compete?

Senator BOSCHWITZ. Yes.

Mr. JOHNSON. Well I suppose we can compete if we get the price low enough but what that doesn't recognize is the urgency that we live in today. The urgency of my neighbors and the urgency of the people of my legislative district and the urgency of the people in the State of Minnesota. We have got to have something now, we can't wait 6 months to a year to a year and half until we finally are able to compete on a world market. That is my point and my only point, Senator.

Senator BOSCHWITZ. Mr. Weir, do you think we can compete on the world market? I think you addressed that question.

Mr. **Weir**. Senator, I think we can. I think we compete on a world market. I have seen recently some cost of production figures, speaking only for soybeans, comparing our costs to Europe, Brazil, and Argentina. Southern areas of the United States may not be as competitive as South America but certainly the Corn Belt is. The problem is we may have to get—this is variable cost of production figures and we may have to get our land values down similar to theirs in order to compete. I guess my question is do we want to step down our standard of living to a Third World status in order to compete? I don't——

Senator **Boschwitz**. Let me address it to Al Christopherson in that case. You mentioned as well in your testimony the PIK Program. And it brings to mind the fact that in December of 1980 when the Regeanauts that came into Washington having won the Presidency and take over the USDA that they found the report from the Assistant Secretary for Economics, Howard Hjort of the Carter administration. That report said the problem of the 1980's would be whether or not we could produce enough, that the demand was so great would production be able to keep up with demand. Everybody bought that, Republican and Democrat alike at that time, and 2 years later we were trying to figure out what to do with the surpluses and we had the PIK Program. So it's very, very hard to project in agriculture, and again, my case for the economic realities.

But, Al Christopherson, do you think that American farmers could compete on the world market? Then I would like to ask if I may one other short question.

Mr. **Christopherson**. Senator, there is no doubt in my mind that we as American farmers can compete. I would challenge any country to find a group of farmers with as much ingenuity, as much ambition as American farmers have. If there is one thing they want to do is to produce. And certainly they will if there is an incentive and you mentioned the cry for whether or not we would be able to keep up with the demand for food and that is where we as farmers I guess probably went awry when we answered that challenge and now we are to some extent drowning in it.

Senator **Boschwitz**. May I ask, Mr. Chairman, have your indulgence. I will ask one very short question and ask the participants thus far to answer it quickly.

You have a large farm, Jerry. Will each of you answer in 30 seconds or less, please, how did you do in 1986 and how did your neighbors do in 1986? A loaded question to ask farmers but objectively how did you do?

Mr. **Kruger**. First of all I would like to respond to your question about can we compete. I didn't have a chance on that one yet.

I would like to answer that by saying under what rules can we compete? This is very difficult question to answer if we don't know what rules we are playing the game under. I look at competing like a football game.

Senator **Boschwitz**. The question was whether or not you could compete without subsidies.

Mr. **Kruger**. Without a subsidy? It still doesn't address the question of what the rules are outside of the subsidies. I think in the long term we can compete. We are set up to produce. In the short term I don't think we can.

How did I do last year and how did my neighbors do? We had a poor wheat crop in northwest Minnestota so we didn't do very well. I didn't make a profit and I don't think many neighbors did. There are a few people that made some money. They have row crops. Navy beans are $50 a hundred so if you have a good crop you can make some money. But the grain crops it's difficult.

Senator BOSCHWITZ. How did you do?

Mr. WEIR. I think thanks to near-record crops in my area the farmers who are carrying a high debt load probably maintained pretty well, they probably held their own, and those who were not carrying a heavy debt load probably had a good year. I don't know percentage wise how that would lay. I talked to people both ways. It just depends. In southern Minnesota we had probably one of the best corn crops ever. We also had an extremely unusual bean crop. So if you weren't going to do it this year you aren't going to do it I guess. That is kind of the way it's——

Senator BOSCHWITZ. Denny?

Mr. FREDERICKSON. I'm Dave. In our area we got 45 inches of rain. We had a lot of rain, Senator, 45 inches. So if you were farming the hills you did pretty well and if you were farming the flat ground you weren't doing very well.

But in my family we farmed the program this year. We put it all in. We basically farmed the program this year. In my own situation I have 4 years of crops stacked up at home. I have all the bins full at home, I have my neighbor's bins full, I have landlord bins full and I pulled the equipment out of a 90 by 50 pole barn this year and filled it full of corn. So had it not been for a reserve program not very well. My neighbors did about the same.

Senator BOSCHWITZ. Briefly how did you do, Al?

Mr. CHRISTOPHERSON. Well, since I come from generally the same area where Mr. Frederickson comes from, and I hate to engage in what sounds like coffee shop talk, but I did better than you did, I got 51 inches of rain. My crop was horrible, without a doubt the worst crop I have ever had and it kind of reflects on the cash flow for the year.

Senator BOSCHWITZ. Thank you. Thank you, Mr. Chairman, for your indulgence.

The CHAIRMAN. Senator Harkin.

Senator HARKIN. Thank you very much. It's nice to be in Minnesota again. I want to follow up on all this competition talk that I have been hearing today.

First of all I would like to ask a question of Mr. Kruger who is, I believe, the wheat person here. We just recently had a sale of flour in Europe this last week. Egypt purchased 60,000 metric tons of flour from Italy at $88 a metric ton. The market value in the European Community was $303 a metric ton, that was a subsidy of $215 a metric ton. That is a 71 percent subsidy. Can you compete with $88 a metric ton wheat flour?

Mr. KRUGER. Plainly no.

Senator HARKIN. There you go. Then I heard Mr. Christopherson down there and he said that our market-oriented farm program is beginning to turn the export situation in a more positive direction.

Mr. Christopherson, please tell me how much more we exported last year than we did the year before and how much more we are going to export this year than we did last year if we have turned it around?

Mr. **Christopherson**. I guess I wouldn't have those figures in hand other than we have to recognize that until we can trade with countries that have some financial abilities our trade is going to be slow. And that is where we are coming from, we are beginning to see, I believe, some turnaround in terms of economic stability in some of these countries.

Senator **Harkin**. Please show me just one example of some country that I think you said they were very aware of the direction we are taking and they're concerned. Well, when the European Community subsidizes its commodities by 71 percent, I doubt if they are very much concerned.

Now, Mr. Weir, you made mention that we had to get our land values down as low as theirs, talking about the European farmers. Whose land are you talking about?

Mr. **Weir**. No, sir, I said if we were going to compete with South America on an even footing. We can compete on a variable cost of production basis, I think, the Upper Midwest probably can. My comment was that, their land values being considerably lower than ours, we are going to have to be willing—if we are going to say we have got to compete head to head with you people we are looking at a lower standard of living here. I'm not advocating that program. I made the comment that is what may happen if we continue to let them subsidize this.

Senator **Harkin**. I want to know what you are advocating. Do you think our land values ought to go down even more?

Mr. **Weir**. No, no.

Senator **Harkin**. They shouldn't go down any more.

Mr. **Weir**. We really can't stand any more erosion. We are losing our tax base in the rural areas now. We can't keep it together.

Senator **Harkin**. I agree with you, I don't think we ought to get our land values down any more. How can we compete, if that is the word you are looking for, when their land is cheaper than ours? I just might point out that land value in Europe is about 10 times that of our land in the United States.

Now let me ask another question about this competition in the market. In soybeans, you pointed out in your own testimony we right now have 75 percent of the world market share in soybeans. How much more should we have and at what cost should we increase that market share?

Mr. **Weir**. I think we have had—we have been as high as about 90 percent normally.

Senator **Harkin**. That is right, we have been as high as 90 percent, but what I'm asking you is if we want to get back up to that 90 percent, to increase that market share that much, what is the cost going to be to our society? What is it going to be in terms of driving land values here down further, driving more farmers off the farm? Answer for me this one basic question: is it more important to us how much we export, or is it more important how much we get for what we do export?

Mr. WEIR. I think the point is well made. Senator, my testimony also indicated that it was not important to me, as a farmer, if I have to sell soybeans below the cost of production, that may not be in the written testimony, if I have to sell soybeans below the cost of production to compete with the competitor who is subsidized. I can't do that. There are South American subsidies, Argentina especially, Brazil to some extent. We are competing against a subsidized product in that market and in Europe. There is no question that there is no way we can compete internationally with Europe with their current subsidy level. So I'm saying we bettter be serious about this and——

Senator HARKIN. How many more years can you exist selling your soybeans at $4.90 a bushel? How many more years?

Mr. WEIR. I don't think very long.

Senator HARKIN. Not very darn long.

Mr. WEIR. We will probably exist somehow because the land values erode to the point where there is no land value, and then we can compete with anybody again.

Senator HARKIN. Again, I'm just pointing out—just pointing out—that we have 75 percent of the world market share. What if we lost 5 percent of that? What if we lost 10 percent of that but we increased the income on what we sold overseas so that we started getting a better rate of return on what we exported? Do you see? I, just for the life of me, have never been able to figure out why, unless you are in the Grain Exchange of course, then you want a lot of volume, but I never could for the life of me figure out what good it did us to just export more and more and get less and less for it. I don't understand those economics.

Mr. WEIR. My objective is to obtain a decent price for the soybeans and I'm not advocating exporting at all costs. Exports are not the end, they are a means to the end, one of the means to the end.

Senator HARKIN. A part of it. I agree with that and I don't want to get out of the export market. There is no way that we are going to get out of the export market. We have 75 percent as you pointed out of soybeans and we have about 60 percent of corn and we have now about 35 percent of wheat; there is no way we are going to get out of it. I'm just saying let's determine for ourselves how much we want our farmers to make first, that ought to be the starting point, how much income to the farmers. And then go ahead and settle on that as the price in the international marketplace that we are going to get for what we sell overseas.

Now when you talk about competition, again, I have got to ask how can the United States suggest that American farmers compete with countries that don't have any kind of comparable real estate taxes, workmen's compensation, cost of living, human rights, retirement, all the other things that make us a decent and humane and caring society? You are not going to compete with that kind of stuff. You can't compete with slavery you see. And so that ought not to be our yardstick or measure. Our yardstick or measurement ought to be what kind of rural economy do we want. How many farmers do we want on the land. What kind of income does it take to keep those farmers out there. We make those decisions and then we move ahead from there. Now that is why—I just want to make a couple of other points and ask the Chairman's indulgence for just about 30 more seconds.

The CHAIRMAN. Senator, I would only point out, because I know the Senator from North Dakota is sitting right to his left, we also have a 2-hour hearing this evening, or later this afternoon actually, in North Dakota we want to get to. Go ahead.

Senator HARKIN. I'm sorry, Senator. I just want to make a couple of other points.

The CHAIRMAN. I just could not help but think when you asked Mr. Weir if we were going to compete with slavery there are probably times when he has been out working his crop, working his field, he probably felt that was exactly what he was doing, knowing what he was going to get for some of the same crop that he was bringing in. But go ahead.

Senator HARKIN. I'm not picking on Mr. Weir because I think he understands what I'm talking about I understand where he is coming from too, and I think we may be closer than what——

Mr. WEIR. I can't make a profit on $4.50 soybeans.

Senator HARKIN. I know you can't. We are well aware of that, too.

I guess what I wanted to point out again, Mr. Kruger, is that you had a wheat referendum in Minnesota. How many of your wheat farmers, what percentage, voted for the supply management program?

Mr. KRUGER. It was an overwhelming majority for the supply.

Senator HARKIN. About 73 percent, right? What is wrong with having farmers vote on a program that is going to affect them? What is wrong with giving one farmer one vote to decide whether they want one program or another? Is there anything wrong with that?

Maybe they won't buy what I'm proposing but at least I ought to give them the choice and the chance to vote and debate it in the countryside and up and down the roads and in the elevators and in the coffee shops. Let them debate it out. Maybe they don't want a supply management like we are talking about—like Congressman Gephardt and I have introduced and others are supporting—but at least they ought to have the chance and the opportunity to vote on it.

I will just end by saying one thing, Mr. Chairman, there was an article in the paper the other day and I wanted to quote from a report by the U.S. Office of Technology Assessment. They said as agricultural scale increases from very small to moderate farms the quality of community life improves. Then as scale continues to increase beyond a size that can be worked and managed by a family the quality of community life begins to deteriorate. The result, the report says, is increased poverty, substandard living, working conditions and the development of two polarized communities, one for the owners and managers and the other for the laborers. Is that what we are coming to in rural America? I certainly hope not. Thank you for your indulgence.

The CHAIRMAN. Thank you.

I would note that the committee and the questions we have asked and the debate, the part we have heard here, is going to be one of the most important debates we will have as a committee this year. I said when I took over as chairman that this committee will become the voice of rural America because there is no other committee that speaks for rural America in the U.S. Senate.

The issues we are facing today are not restricted to just farm issues, or export issues, or just grain issues. It goes much further than this and extends to one-third of American society, to rural America. That is why I must say that I appreciate the fact that you have been here and all of you have testified, because what you are doing is giving rural America a chance to have that voice, imperfectly perhaps, in bits and pieces, only a few hours here, a few hours in North Dakota and a few hours in South Dakota and Iowa and Nebraska, but still more of a voice than rural America has had for a number of years.

We will go now to a panel made up of Vaughn Sinclair, Burton Joseph, and Russ Bragg. I have asked each of them to please summarize their points so that we may hear from everyone. We are going to have to keep closely to our 5-minute rule because I want each Senator to have a chance to ask questions. I assure everyone that statements in their entirety will be placed in the record.

I should mention that Senator Conrad, because we are going substantially over time, was good enough to yield his time back on this panel.

So we'll start, Mr. Sinclair, with you, sir.

STATEMENT OF VAUGHN SINCLAIR, PRESIDENT AND GENERAL MANAGER, WATONWAN FARM SERVICE CO., ST. JAMES, MN

Mr. SINCLAIR. I'm Vaughn Sinclair. I'm the president and general manager of the Watonwan Farm Service Company from St. James, Minnesota. Our company is a farmer cooperative organization located in one of the most productive areas of the Corn Belt. I am pleased that you would come here today to hear us and to show your concerns as you have.[1]

Chairman Leahy, leading members of the committee, I wish to take my short time today to discuss with you some of the problems and the opportunities involved with the infrastructure of agriculture as it relates to the local community and the local economy, although I do have some knowledge also on the national scene through my association on the board of directors of Farmland Industries, which is one of the largest fertilizer producers and distributors of ag chemicals and petroleum products in the midwest.

Specifically, I want to relate to you some of the experiences of the past 4 years, the time when one of the buzz words of management principles in the ag industry has been downsizing. We have all heard of that word it seems. We operate in our company a highly successful business involved with supplying inputs to farm people; feed, seed, fertilizer, petroleum, chemicals and some grain marketing. At least, until recently, we dealt with specific grain handling and storage for the Commodity Credit Corporation. Our volume of fertilizer during these past 4 years has dropped from near 16,000 tons to about 12,000 tons while in fact we feel we have increased market shares. Fuel volume has dropped each year, less chemicals are being used with more and more acres being idled. Grain merchandising, which peaked in the year 1983, was reduced to less than one-half of that amount in 1986 from near 10 million bushels to last year not quite 4 million bushels of grain merchandised. I told you, of course, we are storing a lot more. Storage and handling of Commodity Credit stocks has increased tremendously. We have added a million and a half bushels of storage in our organization in 1986 to bring our total licensed capacity to 5,600,000 bushels. We, as local warehousemen, cannot afford more storage which does not move through the system on a scheduled basis due to the problem of maintaining quality. On-farm storage is causing serious quality problems as well.

---

[1] See p. 236 for the prepared statement of Mr. Sinclair.

In 1980 our full-time equivalent employment numbers were net 56 employees. Today we have 44 full-time employees. More than 20-percent reduction in employment. This is a very successful business while other businesses in the area have downsized even more because every business in our community is related to rural America through the agricultural problems.

There has been a significant reduction of assets through this through sale and disposition. The restructuring of agricultural debt has been taking place at an accelerated rate starting earlier than this but I think through 1984, 1985, and 1986 there has been tremendous restructuring of ag debt. This has caused serious problems for rural commercial banks causing large chargeoffs and critical exams by the FDIC. Large losses of course by the farm credit services, the land bank and the PCA's and in organizations like our own nearly $1 million of forgiveness has taken place. Rural America has suffered much pain. Farm producers have experienced much humiliation. Many large fertilizer manufacturers have gone bankrupt and small town merchants have closed their businesses.

Our problems in rural America are improving right now. 1986 was a year of progress albeit, very, very slow. One of the significant contributors is the breath of fresh air which has come about with the attitude and the culture of the farm credit services in this particular district with the arrival of Larry Bigler as its CEO. He has made a very serious effort to get the meter running on nonperforming loans while keeping qualified, nonadversarial, honest, good management, hard-working farm producers in business. It has added a degree of optimism back into our communities. The 1985 farm bill has also contributed immensely in allowing farm people to restructure for the future.

[Loud comments from audience member.]

The CHAIRMAN. I would make note to the people here that if they want to have honest and valid and helpful legislation come out of this committee, they are going to have to assume we will listen to everybody. It doesn't mean that individuals in the audience will agree with everything that is said, on either side, but if you think this committee is going to limit itself to hearing only one side or only one group you are mistaken. We are going to hear everybody and everyone is going to enjoy their right to free speech before this committee and they will not be interrupted by the audience.

Go ahead, Mr. Sinclair.

Mr. **Sinclair.** Our farm people like the check they are getting from the ASC office and we like it in our business and our bankers like it because it is in fact beginning to reduce those debts.

Now our approach to world trade must be aggressively pursued because after our major input into industries have downsized and are now providing inputs at drastically reduced cost, and they are drastically reduced, $300 fertilizer a few years ago now at $150 and less, that is a quite a cut too, we are in fact close to being competitive.

Senator Harkin, I don't want to debate that argument because I don't know all of the world figures, you do, but we are getting our prices down to where they ought to be competitive on the world market with grain and other food products right now. The seriousness of our situation is that we cannot expect agricultural producers, the one U.S. industry where we do have the technology, the expertise, the quality productive capacity to be highly competitive in world markets to perform at near 50 percent of their productive capacity. We cannot afford to ask our farmers to downsize even more to a point where they do not have the incentive to produce that reasonable capacity. If we are to produce for domestic consumption only we will soon forfeit our advantages of production capabilities to foreign entities and we will export more and more jobs and the restructuring, which we have just gone through, painful as it was, will begin all over again and the problems of rural America, farmers, small industry and large and major industries as well, while now just beginning to improve, will enter a new era of bankruptcies, foreclosures, school abandonments, closing of churches, unemployment and business failures. We desperately need to address a fair trade policy which allows our agricultural industry to perform at economic rates which will benefit all of mankind. Thank you very much.

The **Chairman.** Thank you. Our next witness is Burton Joseph from Martrade, Ltd., a member of the Agricultural Policy Advisory Committee since 1980 and vice chairman of Martrade. Mr. Joseph.

STATEMENT OF BURTON M. JOSEPH, VICE CHAIRMAN, MARTRADE, LTD., MINNEAPOLIS, MN

Mr. **Joseph.** Thank you, Mr. Chairman. It's a pleasure to provide this material for the committee.[1] These thoughts have special pertinenace as you have mentioned in that our companies are a longtime participant in the American international grain and commodity trade. Further as you have indicated I have the special role over the last 10 years as a member of the Agricultural Policy Advisory Committee to the Secretary of Agriculture and to the Special Trade Representative.

I remember very well in 1983–84 the vigorous debate that 15 or 20 of us had, all members of the committee, with Secretary Block and Ambassador Brock who was Special Trade Representative at the time. There are two schools of thought. The first, one-price system, let U.S. agricultural commodity prices through dramatically lower support levels work their way down to world price levels which theoretically would build demand. The theory was that domestic income declining from these lower prices would be made up by special payments of one type or another.

---

[1] See p. 230 for the prepared statement of Mr. Joseph with attached memo to Secretary Lyng.

The second school of thought, which I supported, is the two-price system, one price to recognize far lower world prices as a result of the huge build-up in agricultural production then hitting the world market and a domestic price level of higher values to recognize the need to protect the infrastructure, not only the farmer and his suppliers but a rural America now popularly called Main Street. The effective export price level recognizing world competition would be ascertained by trade exchanging information continuing with the USDA. That was the theory.

This very type of program worked so well during the 1960's and the early 1970's the Department in the 1960's and 1970's left it to the trade to quietly find the customer and advise it as to the right commodity and the price level to make the sale. It worked so well the United States gained and held a predominate market share. The program was discontinued in 1972 and crop disasters in the Soviet Union and China raised prices so substantially there was no need for further export subsidies. Between 1972 and 1973 we apparently forgot how well the two-price program worked.

In our APAC policy discussions you are all well aware the two-price level did not prevail. The 85th Congress provided for a dramatic reduction in support values following the theory that these new values would help the United States regain overseas market. Ironically we now have the lower values as forecast but have not regained the overseas market and even more ironic because of this marketing failure we have constructed a curiously complex new export enhancement program called BICEP, well known to you all. Not only hasn't the program worked well but it's become a nightmare in cost and offending friendly foreign countries. The current program is wrong in concept and execution. Let's talk about this briefly.

BICEP assumes that our competitors in agricultural grain, oil seeds, and foodstuff supplies are going to lay down and play dead. Believe me, these countries that inherit our markets as a result of our foolish embargo policies of the 1970's and 1980's will not go away easily or voluntarily, especially the three or four with important farm lobbies in the European Economic Community who are determined to maintain their own farm or rural social structure with the use of dramatic export subsidy programs.

Let me quickly quote from some recent Reuter clips demonstrating what the EEC is doing with export subsidies during the last few days. These clips are attached to this material. The EEC commission granted on January 29 export licenses for 140,000 tons of soft wheat at a maximum rebate of about 150 U.S. dollars. On that same day they granted export licenses for 100,000 tons of barley at about 154 U.S. dollars. Last Thursday, just last Thursday French traders sold the Soviet Union 1.6 million tons of wheat at about $163 per ton subsidy. We are permitting competing countries and competing groups of countries to claim a very high percentage of the market share for export. Of course, they now claim their share is rightly theirs. Obviously we cannot go on this way, a huge debtor nation, horrible trade figures, farm exports running way behind, stubborn unemployment, unbelievably high rural social cost. How do we in agriculture help find this cure? By proper execution of a subsidy program. We'll not succeed by listening to pious requests for fair play. The other countries will play us for patsies by their definition of what is moral if they can get away with it. Let's amend BICEP, it's badly flawed.

The USDA has gone into business to try to pick out a country in advance, name the product to be shipped to that country, and then invite the subsidy to win the business. It's pathetic to think that the Department thought they could sell the Soviets our wheat at a preadvertised discount of $15 per ton.

I would urge the committee to pursuade the Department to return to the technique that worked so well up to 1972, permit the trade with its incredible commercial intelligence communications and to pick out the country that they can quickly and privately sell. In words a genetic subsidy. Let's call it the Green Dollar Certificate.

We do not have the time this afternoon to review the separate paper on the Green Dollar program. I have it here available to you. It's attached. I hope you will find it useful. Senator Boschwitz is already quite familiar with it.

The second idea. It's reported that the U.S. agriculture support system has cost on the order of $27 billion this year, about twice the original budget calculations. In keeping with the law under Gramm-Rudman let's establish an agriculture development fund, for example purposes let's say it's $15 billion. Let's set aside $4 billion out of the $15 billion for agriculture export subsidies using the Green Dollar Certificate technique mentioned earlier. By the way, that $4 billion just about matches the Common Market's current agricultural export subsidies. The balance of money, $11 billion, is dedicated to domestic support and income programs on an allocated basis, that is periodic payments are made across the strata of all programs with the payees knowing that all payments will be prorated so that the last payment of the fiscal year will use up the agricultural development fund. Not too dissimilar a program to the technique used by the Canadian Wheat Board.

Another idea, let this Senate Agriculture Committee enlist and enroll a small effective advisory group. There is a lot of brains and political talent and clout available to you. This type of voluntary committee has been very helpful to the USDA, I think Congress should do no less.

We want a smart, aggressive export program. Give this great production factory a chance to keep its unit costs at a minimum and consequently an opportunity to reduce Government payments.

Finally, let me suggest again there are ways out, there are methods, there are techniques that will stabilize rural American life. Let's have no more repeats of the heartbreaking experience I had recently when a distressed man came to my office and said, "I'm out of business". He was from a fine rural community west of Minneapolis. Was he a farmer? No, sir. An implement dealer? No. A seed merchant or fertilizer merchant? No. He was a pastor of a church. His membership had declined, his church was closed. For the sake of these churches and rural hospitals and rural schools, not just the agribusiness community but the total American economic community we must put a stop to this. There is a way, we need your wisdom and your leadership to help us gain these goals. Thank you.

The CHAIRMAN. I read through your testimony earlier, the comment about the advisory committee—I am in the process of putting something like that together, at least for my own purposes, but informally. I'm not going to have a formal one. We already have too many formal structures there anyway. But I suspect you are going to find more and more members of the committee doing precisely that on their own.

Russ Bragg is the vice president of grain merchandising for Pillsbury, also a member of the Chicago Board of Trade and the board of directors of the North American Export and Grain Association.

Mr. Bragg.

STATEMENT OF RUSSELL J. BRAGG, GROUP VICE PRESIDENT, PILLSBURY CO.

Mr. BRAGG. Thank you, Mr. Chairman. The experience in the world grain markets over the past 15 years illustrates an important fact, that is world grain markets respond to price incentives. As prices rise more is produced and utilization is discouraged. The system generally works well unless price signals are distorted by Government intervention. U.S. support prices set the tone for the world grain market. Our closest competitors price their grain off the U.S. market. U.S. support prices therefore serve as a price umbrella under which our competitors operate. As U.S. support levels rose in the early 1980's our competitors expanded production, our customers cut back on imports from the United States and carryover stocks grew in the United States and the world. As the United States attempts to control Government-owned stocks it also restricts production, the only country in the world to do so.

Our views can be summarized simply, we believe the long-term best interests of all associated with agriculture are best served in a market where production and consumption decisions are made on basis of market-clearing prices while direct Government intervention in the marketplace is minimized.

National policy goals for supporting farmer's income are best achieved through direct programs separate from the commodity market.

In deference, Senator Harkin, the American farmer is a lean, mean producing machine and given a level playing field he will not only compete, he will win. This cycle was partially broken with the 1985 farm bill which recognized the need for lower world grain prices to help clear the market and make the United States more competitive again. Unfortunately the world will not return to the old market pattern of the late 1970's.

So how must farm policy be adjusted to improve the ailing farm economy? In our view the overall direction should be to reduce the role of Government in agricultural commodity markets. We do not believe large increases in price supports and production controls are the answer. Production restrictions and high support prices are two of the components of past farm policies that have contributed to the current prices today. The Federal Government in all its wisdom does not have the ability to determine optimal production, utilization, trade and price levels for agricultural commodities. The Federal Government may determine if there should be a national policy to support farmers' incomes. If this is our goal it can be accomplished much more effectively through means other than the commodity market intervention.

We feel strongly that supply control programs are not in the best long-term interest of U.S. agriculture. Supply control proposals currently before Congress will not accomplish their stated objectives of increasing farm incomes, reducing Government cost, but having little impact on the consumer food prices. These plans would further accelerate the exodus of individuals from the farm and contribute to the decline of the family farm.

Sharply higher crop support prices create major incentives to avoid supply control provisions. Higher price supports will also result in reduced demand for those commodities from both foreign customers and domestic users. Import restrictions would be required to prevent foreign grains from moving north on the Mississippi River system.

The corn market illustrates the consequences for farmers of mandatory supply controls. In the 1985–86 crop year for example U.S. corn exports were 1.2 billion bushels and domestic corn usage was 5.3 billion bushels. Total usage was 6.5 billion bushels. With an average U.S. corn year of 120 bushels per acre current usage could be met with only 54.2 million acres, about two-thirds of the U.S. corn acreage base. That is 15 million acres fewer than were harvested in 1986 when a 20 percent acreage reduction program was in effect and 21 million acres fewer than were harvested in 1985. With much higher support prices total usage will decline from the 6.5 billion bushels causing even more land to be idle and more farmers to leave the farm.

To put the corn production in balance with utilization at current rates would require removing the equivalent of the entire corn crops of Iowa and Nebraska. If usage declined another 10 to 15 percent due to higher support prices the entire corn acreage of the State of Minnesota would also have to be idle. Does this save the family farm? The impact on the farm supply marketing sectors would also be devastated. The infrastructure that we now have, which is better than any other exporting country in the world would be devastated. Consumers will not vote in a supply control referendum but they will be the ones to pay higher food costs. According to anlaysis by the Food and Agricultural Policy Research Institute consumer food expenditures under a supply-control program would be $300 billion higher than current programs over the next 9 years.

We believe the primary message we would like to leave with you today, Mr. Chairman, is this; we believe the long-term interests of all associated with U.S. agriculture is for a market where production and consumption decisions are made on the basis of market-clearing prices. This suggests market-clearing loan rates if a loan program is necessary and the elimination of the current target-price system that give farmers the wrong signal to produce more when less is needed. Government intervention in market prices must be reduced for an efficient market to operate. A major change like this in farm programs would obviously require an alternative mechanism for supporting farmers' income during a transition period until surplus stocks are drawn down and market prices reach an equilibrium level, which will be at profitable levels for farmers.

There are many possible formulas such as freezing benefits at current levels for each producer, then phasing them down for a number of years. There are many modifications to such a formula which would achieve national policy goals for supporting farm income during the transition.

Mr. Chairman, we firmly believe the best long-term solution to the current farm crisis is for markets where prices are not distorted by government. Policy controls for farm income support, conservation, rural economic development are best implemented directly rather than through market intervention.

Again, Mr. Chairman, we thank you for the opportunity for us to share our views with you and this committee.

The CHAIRMAN. Thank you.

Did you want to ask a question, Rudy?

Mr. Houck was going to wrap-up the hearing. If you would like to do the wrap-up at this time, we will then turn to the questions. Go ahead.

STATEMENT OF PROF. JAMES P. HOUCK, DEPARTMENT OF AGRICULTURAL AND APPLIED ECONOMICS, UNIVERSITY OF MINNESOTA

Mr. HOUCK. Thank you, Mr. Chairman, Senators Boschwitz, Harkin, and Conrad. I'm pleased to be with you this afternoon. I will make just a few wrap-up comments here and leave most of the time for questions and further discussion.

I think that the testimony of the various witnesses as well as the questions asked by the Senators suggests that there is a substantial clash and disagreement about farm policy among people whose primary interest is in agriculture and in the farm economy specifically. We recognize that this powerful clash has real roots. There are substantial cross purposes, and cross currents of difference here.

I had a chance to calculate some of the costs of the recent fall in exports and I think almost everybody in this room would agree that the primary reason that we are considering a readjustment of the farm bill and why we were finding people in substantial financial difficulty in agriculture today is the fall in the international market for U.S. products. Since 1980-81, which is about the high water mark in this agricultural export era, we have lost the equivalent of 22 million acres of wheat, 10 million acres of corn and sorghum, and 7 million acres of soybeans in this country, and 39 million acres total. Now this is 11 percent of the total cropland in the United States and 30 percent of the cropland that is devoted to export crops. This is a substantial cut in terms of acreage equivalent of the markets we once had. This is the main reason that we are finding ourselves at loggerheads with each other and with ourselves about what to do next.

I did notice, looking at the USDA projections for the next year on export volumes, that exports are projected to increase very slightly in volume for wheat and flour, for feed grains, for other feedstuffs and for soybeans. So there is some straw in the wind indicating there is a small increase in the volumes moving on the export market. Much less, I might add, than was anticipated or was hoped for as the current policy maneuvers were pursued.

My judgment, is overall, that the value of this loss in export markets since 1981 has been very costly to the economy as a whole, not just to the farm sector, very costly though it was. I figure, roughly, it cost the economy about $10 to $11 billion in economic activity in terms of both upstream and downstream exchanges. That is a fancy way of saying, "things that farmers buy and things that farmers sell". Its the equivalent of about 620,000 jobs across the country. Now that doesn't mean that 620,000 people are out of work because of this agricultural export fall, but it does suggest that unemployment, underemployment, and people shifting to less desirable alternative employment has been caused by this fall in the export volume.

The fall in export volume has two main components, one is the fall in the total world market, the total volume of agricultural trade all around the world has fallen. Furthermore, the United States has lost market share. There were powerful and different reasons for both of these. And you have heard conversation about all of that this afternoon. If the United States, for instance, had maintained its market share in a weak world market we would have maintained a 44-percent share in wheat rather than today's 30 percent, feed grains 65 percent rather than today's 55 percent, and soybeans something around 60 or 70 percent instead of today's 50 percent. This would have cut in half the economic losses that have occurred in the economy because of the fall in export markets. So the fall in our market share has been tremendously important. This is the place, I believe, where trade policy has its most powerful force—in the market share aspect.

A comment that I don't think is often made in forums like this is that the agricultural policies and the trade policies of our competitors as well as our customers—like the European Economic Community and Japan and other countries—are policies that are adopted in those countries with great difficulty and under great political stress. The Europeans don't do what they do just to annoy us. They do it because they haven't really found an acceptable alternative to the CAP. I believe that they will probably continue in this basic agricultural and trade policy for the foreseeable future. We have to try to work with them and get them to moderate the level of export subsidies and price supports that they offer their farmers, but I don't think that we are going to make them change their system entirely. They are just in a corner on that.

A final comment I will make is that the U.S. trade deficit, in general, mirrors the Federal budget deficit. If capital inflows to this country are large, it means that foreigners are using dollars to buy debt instruments denominated in U.S. dollars and not using dollars to buy U.S. products including agricultural products.

I think with those comments, Senator Leahy and others, I will conclude my remarks and thank you for this opportunity.

The **Chairman**. Thank you, and again, like all of you, I am sorry that this is by nature somewhat rushed, but the alternative is not to come at all and we did want to hear from you. I should also point that out to the people who are here, especially those who asked why can't we stay a week or two or three. Somebody suggested to me earlier that to do this adequately we should spend 3 or 4 weeks in Minnesota and so by the time we do that in a similar fashion for the other 49 States it——

Senator BOSCHWITZ. You don't have to go to the other 49 States. I mean 3 or 4 weeks here——

The CHAIRMAN. I hope that the many people following these committee hearings in the Midwest feel and understand what the committee wants to do is come back primarily with an overall impression. As we visit each State we are going to do something that Senators normally don't do in these hearings. We are not going to stay in hotels. We are going to stay in individual farmers' homes. I suspect we will get even more of an earful, and perhaps an even less-structured one at that.

Senator Boschwitz, welcome back, you have questions at this time.

Senator BOSCHWITZ. You know, it is a little difficult hearing up here so I have been standing down below.

The CHAIRMAN. We younger people have no problem.

Senator BOSCHWITZ. But we older people still——

The CHAIRMAN. I know.

Senator BOSCHWITZ. Well in any case I think that I enjoyed the comments of Vaughn Sinclair who is from the small town of St. James in south-central Minnesota. Vaughn, how do you find the situation where you live? You said that this year was a year of more hope in St. James and that part of the State. I wonder if you could tell me how your farmers were doing in that neck of the woods, the people that you deal with?

Mr. SINCLAIR. Senator Boschwitz, I don't want to pretend that things are good and that we are over the hump and I hope I did not give you that impression.

Senator BOSCHWITZ. You didn't indicate that.

Mr. SINCLAIR. We made progress in 1986, and I was talking in terms of the infrastructure as well as the farmers that are getting restructured. We deal with a thousand farmers I suppose, several hundred of them that have been in very, very serious financial trouble and those debts have been restructured and we are still at it but we have been making progress. Why did we make progress? I think because of the Government program checks that are coming out, excellent yields as one of our fellows commented about we had extremely good yields of corn and soybeans and really realized with the PIK certificates and everything about $3 a bushel for corn.

I have talked to bankers and their debts are getting reduced. They would like a little more of it. They are not out of the woods either.

Senator BOSCHWITZ. Well I agree with you about the Farm Credit System. We certainly sensed, in my office, from the complaints received that something had to be done. So, we quickly set up a hot line and got approximately 800 calls which brought a good deal of pressure to bear on Mr. Naylor in Washington. Yet, still I hear of some problems with the Farm Credit System. In your judgment are they at this point putting too much farmland on the market?

Mr. SINCLAIR. Did I comment about that?

Senator BOSCHWITZ. Didn't you comment about the Farm Credit System and it had improved under its new leadership.

Mr. SINCLAIR. The new leadership certainly has ambition and at least it's voicing that. We are sensing some of that in our area but they want to get the meter started on the nonperforming loans. In other words, they want to restructure them, write off some debt, get the meter started not at 12½ percent but, as the newspapers say, at 4.9 percent. They are trying not to take additional land back from producers that are hard working and not adversarial.

Senator BOSCHWITZ. I have heard in some counties, for instance Wright County, that they are trying to put too much land on the market and it will drive it down yet further. Is that your experience in your part of the world with the Farm Credit System?

Mr. SINCLAIR. I don't have a strong opinion on that. They have got a lot on the market but some of that is not moving and they are putting it back out at cash rents and things like that.

Senator BOSCHWITZ. I yield back my time Mr. Chairman, if I have any, because we may not make the next hearing.

The CHAIRMAN. Senator Harkin.

Senator BOSCHWITZ. Of course I don't want to go to North Dakota but——

The CHAIRMAN. North Dakota is going to be good for you. It will broaden your horizons, it will do great things for you.

Senator HARKIN. You can't see the horizon in North Dakota.

The CHAIRMAN. That is true.

Senator HARKIN. Thank you, Mr. Chairman. Just a few minutes. Mr. Joseph, I am intrigued by this idea and I just want to ask you one question; you are a grain trader, right?

Mr. JOSEPH. Right.

Senator HARKIN. And from reading your testimony and listening to you is it true that you feel that the farmers ought to have a higher price for what they are producing?

Mr. JOSEPH. I'm talking about a combination of a domestic price level at a higher level than the export level, the combination of which if we can through the export recapture build up our units of production, give us lower prices which gives us a net higher price.

Senator HARKIN. In your testimony you said "domestic prices at a higher level recognizing the need to protect the infrastructure not only of the farmer and his suppliers but rural America." I couldn't agree with you more.

Mr. JOSEPH. Yes.

Senator HARKIN. I like your idea.

Mr. JOSEPH. Yes, sir.

Senator HARKIN. I think it reflects a lot of vision. I think it's much like, if I'm not mistaken, the European currencies, is that right?

Mr. JOSEPH. The EEC is a basket of European currencies and they use it very effectively.

Senator HARKIN. The Green Dollar proposal is a similar type of a thing?

Mr. JOSEPH. That is right, it's attached to the statement. Perhaps we can spend some time on that later.

Senator **Harkin**. Well I like the proposal, I would like to know more about it and I invite you any time to give me more information exactly how it works. I think it has a lot of merit because I see a lot of benefit in the fact that it would give our farmers a decent income and would allow us to go ahead and be active in the export market. I want to congratulate you for your sensitivity to the infrastructure issue that is out there and the need to get some income out to these farmers.

I want to turn to Mr. Bragg of Pillsbury. Mr. Bragg, we had the opportunity to visit pleasantly in my office a couple of weeks ago. You were very kind to come in. I want to say at the outset that I have a lot of respect for Pillsbury, it's a fine company. I don't think there is a couple of days that go by that I don't eat something that is a Pillsbury product. It's a very fine company and they make very fine products, they have done a lot for rural America, done a lot for our farmers in the past.

Mr. **Bragg**. True.

Senator **Harkin**. I guess when people come here before this committee or any committee that I have served on in the last 12 years and propose certain things for the Government to do or not to do I want to see how it might affect their own business and if they would be willing to abide by those same rules for their own company.

You state in your testimony that we believe the best long-term solution to the current farm crisis is for markets where prices are not distorted by the Government.

Now I wonder if what is good enough for farmers would that be good enough for Pillsbury. Pillsbury owns barges, right?

Mr. **Bragg**. Yes, sir.

Senator **Harkin**. You own a lot of barges?

Mr. **Bragg**. Yes, sir.

Senator **Harkin**. Would you submit to this committee or to the Senate written testimony asking us to charge users rates for using barges on the rivers that would replace the full cost of operating all of the locks and dams that taxpayers now support?

Mr. **Bragg**. Well the——

Senator **Harkin**. Did you understand what I'm asking?

Mr. **Bragg**. Your question is do we support user fees?

Senator **Harkin**. Yes, user fees would support the full cost of using the rivers and using the locks and dams up and down the rivers that are now supported by all the taxpayers of America?

Mr. **Bragg**. Senator, we have been on record on that to the extent there is a portion of user fees as associated with what the relative position in the industry is with the grain business we have accepted those. I think I might also say though I will gladly trade our barge fleet for farm land in Minnesota today for the value it's worth in the marketplace.

Senator **Harkin**. Well, again, I just want to know would you be willing to get rid of the Government subsidy for operating the locks and dams?

Mr. **Bragg**. I believe that you will find if I voted yes it would be more detrimental to your farmers in Iowa than anything I did.

Senator HARKIN. I just wondered if Pillsbury—well, you wanted to get the Government out of distorting the market. I mean you want to get it out for the farmers.

Mr. BRAGG. I think it's the question, sir, of a level playing field. Nobody denies the fact that we need the U.S. farmers, we need to be competitive. You pointed out specifically the subsidies for the EEC. We are not allowing our farmers to play on an even playing field with your subsidy. Traditionally, when prices have significantly risen it has been the Government that has stopped that price through embargos, or through other measures. I question, and I may be off, but your soybean price under your program would be $9.15 at 75 percent of parity or thereabouts.

Senator HARKIN. It's $8.35.

Mr. BRAGG. But the issue is how many farmers would we have to take out. How much would the supports be and how much of your export soybean market and soybean meal market would we lose?

Senator HARKIN. We will lose some, I will admit we will lose some volume. The study shows we lose volume but we are going to increase our money by about 78 percent.

Now let me ask you this, is Pillsbury involved in meat packing?

Mr. BRAGG. No, sir, we are not.

Senator HARKIN. You are not involved in meat packing at all so you don't care about meat packing.

How about storage, do you store grain?

Mr. BRAGG. Yes, sir, we do.

Senator HARKIN. Do you think that Pillsbury ought to get the same storage rate for grain that farmers get?

Mr. BRAGG. That question has been decided by Congress, not us.

Senator HARKIN. I'm just asking you about a level playing field.

Mr. BRAGG. If it was felt that those prices had to be equalized then it would be up to the marketplace to dictate. We have a right to store grain or provide ownership grain.

Senator HARKIN. It's not set by the market. The Government is setting a rate of 26½ cents to the farmer. How much is Pillsbury averaging now for its storage?

Mr. BRAGG. The Government set the rate last year, froze it for commercial storage also.

Senator HARKIN. But it's a lot more than what the farmers are getting.

Mr. BRAGG. Yes, it is.

Senator HARKIN. Sure it is.

Mr. BRAGG. But it was originally decided by the CCC Corporation on an offer user rate process which they had the option of accepting.

Senator HARKIN. I am just pointing out again that what is good for the goose ought to be good for the gander. There are a lot of subsidies that the U.S. Government with its taxing powers are providing to companies like Pillsbury. I don't really have problems with that because the Government is always going to be involved in matters like this. Like I said at the beginning I think Pillsbury is a great company, as a lot of our major food processors and food suppliers are, but what bothers me is that this rush to increase the bottom line for the next quarter, the bottom line profits, is not taking into account what the long-term effects are going to be.

I might just point out that the return on equity for some of the major meat packing and food processing companies in America over the last few years has just been phenomenal. Let me just point out a few.

In branded foods, Kellogg's return on equity over the last 12 months was 44.2 percent. For ConAgra 21.9 percent. For H.J. Heinz the return was 23.3 percent. Ralston Purina had 46.6 return on equity. For Pillsbury, 17 percent return on equity. Do you know what the return on equity has been for these farmers over the last few years? It's been a negative return on equity.

How can our consciences allow us to continue increasing the profit margins of our major food processors and shippers and continue decreasing the income that farmers are getting? I don't want to ruin Pillsbury or Kellogg or anyone else, all I want is a fair share, a fair share of the profits for the farmers of America. That's all I want.

I'm sorry I took a lot of time. Please respond.

Mr. BRAGG. May I respond?

Senator HARKIN. Yes.

Mr. BRAGG. First of all I would like to say that we do not believe that we can get along without farmers. We are in the food business, we absolutely need U.S. farmers. One of the things we fear most is that if the support prices are too high we are going to have a lot of issues around protectionism and section 22 because foreign imports, as in other commodities, will come into this country and we'll have difficulty keeping those people out. So that we feel we need to support the farmer just like you do.

I think the issue that appears here today is how and what is the best way. And hopefully that is what this debate will resolve, how and what is the best way to support the U.S. farmer. Because we need the farmer, everybody in the food business needs the U.S. farmer.

Senator HARKIN. Well, we are going to have half as many farmers as we have today if we continue on the path we are going in just about the next 20 years. I'm sorry.

The CHAIRMAN. Senator Conrad will have the last word.

Senator CONRAD. Mr. Chairman, I'm very interested in making it to North Dakota in time for the hearing there, but let me, if I might, conclude with this comment. As one who was just recently elected to the U.S. Senate, I face a situation in my State where we are faced with the most difficult economic struggle in 40 years. We have a farm program that spends record amounts of money, up tenfold from 6 years ago, and yet at the same time we have record farm failures. We see a situation in which prices have collapsed in an attempt to recover an export market, but exports have not responded. It seems to me quite clear that the current program is not working, simply is not working.

I like very much what I heard from Mr. Joseph today. I think that has the elements of a solution that takes the best of what both sides have offered in this debate and goes forward with a program that has the potential to provide a secure income for our farmers here and at the same time to stay competitive in the international marketplace.

So, Mr. Chairman, I want to give back the rest of my time or else we are not going to make it to North Dakota on time and we have got a lot of wisdom to hear from the people there. Thank you very much.

The **Chairman**. You are welcome.

Voice. Mr. Chairman, I was asked, they couldn't testify, they didn't have time, they understand that, but Herb Rolland and the Wisconsin Farm Unity Alliance wanted to submit some testimony so I would like to ask that that be submitted in the record.

The **Chairman**. Without objection it will be.

[The statement was not received by the committee.]

The **Chairman**. I want to thank the people of Minnesota and everybody else who made this possible. Rudy, thank you for the offer, and your help and the comments you made. You were good and you all were a good audience. Glad to have you all here. We will stand recessed.

[Whereupon, at 3:45 p.m., the committee recessed, to reconvene the same day, at 5:55 p.m., in the Farmers Livestock Exchange, Bismarck, ND.]

EXAMINATION OF PROBLEMS AFFECTING THE FARM COMMUNITY

The Status of the Farm Economy

MONDAY, FEBRUARY 9, 1987

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Bismarck, ND.

The committee met, pursuant to notice, at 5:55 p.m., at the Farmers Livestock Exchange, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present: Senators Leahy, Harkin, Conrad, Daschle, and Boschwitz.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. The meeting of the Senate Agriculture, Nutrition, and Forestry Committee will come to order.

I'm Patrick Leahy and I'm delighted to have a chance to have the committee out here. It's always good to be with my good friend, Kent Conrad, to be with the Governor and the Lieutenant Governor, and I thank both of you for taking the time to come.

I apologize for being a bit late. We started in Chicago this morning, meeting with farm people and others, commodity producers and traders, and went on to Minnesota for some meetings and hearings, fairly extensive hearings this afternoon in Minnesota, and then came here. Before we finish, each of the Senators, after getting together with the Governor for a bit this evening, will do something different from what Senators normally do when they go on a trip—we're going to stay with real people. Each one of us has been invited to spend the night with farm families, and coming from a small State as I do, Vermont, I'm used to that. I also know we'll probably hear even more this evening than we will during the hearing, but it will be a good experience.

Also, if any of you get those far east newspapers, like the New York Times out here, I apologize for having something come out of my office last week and having Bismarck misspelled. It will never happen again. It has a "C" in it.

I first said that I wanted to take the Senate Agriculture Committee out of Washington when I became chairman. I said that we had too many hearings in Washington, and we ought to get outside. Senator Conrad came and started lobbying me to bring the committee out here to North Dakota, to Bismarck, with a "C." I listened to what he had to say, because I sometimes feel that we spend too much time in Washington and are isolated from what's going on around the rest of America. We want to hear from real people, the farmers and ranchers here in North Dakota. You get a lot of facts in Washington, you can hear a lot of things there, and you have a lot of very professional people testifying, but it can be awfully sterile. It can oftentimes be distorted by statistics.

We read the Washington newspapers. They tell us about the huge increases in the farm foreclosures here in North Dakota. The papers list the numbers of farms lost, the huge amounts of money that farmers and ranchers need to borrow; but no newspaper can explain the hurt, the disappointment, and the suffering. I wish sometimes that some of the policymakers, like the Secretary of Agriculture could see that hurt and understand exactly what is happening out here.

Last Wednesday we heard Secretary Lyng testify before this committee. Senator Daschle, you asked the Secretary very bluntly if there was some good way to measure the success of USDA farm programs. The Secretary did not seem to feel there was any single measure for either success or failure. He was then asked to look at how many farm families are forced to shut down as a result of the President's farm policies. The Secretary said that the increase in farm foreclosures was not a good way to measure how well or how poorly the USDA programs were working. Well, I disagree. I feel that the high farm foreclosure rates show the failures of the administration's farm policies. USDA reports that in the United States one farm fails every 8 minutes. That comes out to 180 farm failures a day—65,700 per year. The largest community in my State has only 45,000 people. We can't ignore the devastating effects of this attrition on rural America—the human suffering, the breakup of families, and the destruction of whole communities. I come from rural America. I want this committee to be the voice of rural America.

In chairing this committee, I consider myself very fortunate in having some of the best Senators, both Republican and Democrat, on this committee. It's going to help me a great deal. I am delighted that Senator Conrad made being on this committee a primary choice. We need his expertise and we need to hear from this part of the State, from this part of the country. He has already been very effective on the committee, a very active voice and one I have turned to for a great deal of help and information in setting up this trip and planning for the questions that might be asked.

I've also been fortunate to have served for a number of years on this committee with Senator Boschwitz of Minnesota.

I remember that State very well. We were there this afternoon and we heard a lot. It wasn't that everybody agreed with everything. So, I will now turn it over to you, Rudy.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator Boschwitz. Well, that's characteristic, Mr. Chairman, about farmers that they don't always agree. You get two of them together, they form three organizations that have four different opinions. [Laughter.] It's sometimes a little hard to deal with. But it's very nice to be back in Bismarck.

Some years ago I started a company that was called in these parts Plywood Dakotas and that was eventually sold. I was talking to Senator Conrad on the plane on the way up describing the difficulties that my company had after I went to the Senate. I overexpanded, too highly leveraged and a number of other things that may sound a little familiar to some of you guys. So with my own business experience, I have had some of the experiences that you have had. But the 1970's and the 1980's were so different. I would like to make a short opening statement, Mr. Chairman, with your indulgence.

In the 1970's, a lot of good things were happening and in the 1970's the Russians made a tactical decision that they were going to stop slaughtering their cattle in the event they didn't have a large enough grain crop. And because they were selling oil—they were the largest oil producer in the world—they had some hard currencies and they went out into the world market and bought grain. You all remember that in 1973 and thereafter. So that was a great plus.

In addition, the economies of the world were doing very well in the 1970's and so people had the money to buy, and if they didn't have money to buy, they could very easily borrow money. Whether you were a country or a farmer, all you had to do was sign your name, and you had a lot of advice and a smart farmer was a highly leveraged farmer, and so forth. So people had money to buy and throughout the world they could borrow because of the recycling of oil dollars in the event they didn't have it. Lots of money available.

In addition to that, interest rates were very low. If you were borrowing from the Farm Credit System, very often you were borrowing lower than the rate of inflation. Real interest rates were lower in the 1970's and the value of the dollar was very low so that our commodities on world markets were cheaper. Our exports grew from $6.7 billion at the beginning of the decade to $44 billion in 1981. Finally, the weather was very good in the United States and it was not so good in the rest of the world and so we had an advantage.

Absolutely everything reversed itself in the 1980's—1980 was out of the box 4 days and we embargoed the Russians. The weather throughout the world got pretty good. Real interest rates went up. I don't have to tell you that. And the economies of the world took a dive. Our buyers didn't have the money, they couldn't borrow the money and they were up to here in debt, just like a number of us, and so we recounted the 1980's. Very frankly, more than the Government, more than agricultural policies, more than what was done in Washington, I think that other factors caused the difficulties of the 1980's. So I look forward to listening.

I must compliment your Governor, Governor Sinner, who came to Washington and sought to be a voice of moderation and a voice of balance. I don't like to say all these nice things about Democrats; but, nevertheless. [Laughter.]

The **Chairman**. Rudy, consider that it's good for your soul. [Laughter.]

It will lead you to redemption; it really will.

Senator **Boschwitz**. What kind of a group did you put together today, Conrad? [Laughter.]

So much for my opening remarks. [Laughter.]

The **Chairman**. I'd like to yield to Senator Conrad. I know he has an opening statement. And I also ask him to introduce the panel.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator **Conrad**. Thank you, Mr. Chairman.

I first want to say on behalf of North Dakotans how proud we are to have you here. Most committee chairmen's idea for hearings is to take a trip to Belgium or someplace like that, not to come to Bismarck. So we want to thank this committee chairman for being willing to come to Bismarck and Garretson, South Dakota, and Underwood, Iowa, and Omaha, Nebraska, to hear from farmers about the solutions farmers have for the problems that we face. We've also been in Minneapolis, as Senator Rudy Boschwitz reminded me.

The **Chairman**. That's in Minnesota.

Senator **Boschwitz**. Still.

The **Chairman**. Still—still.

Senator **Conrad**. I also want to thank Senator Boschwitz for coming and Senator Daschle and Senator Harkin. They are among the most active members of the committee, and I think it's going to do us all a great deal of good to be here and hear what the people of North Dakota and the rest of the upper midwest think.

In this room, Senators, there are people who are honest, hardworking, people who want a chance, not a chance to get rich, because that isn't the basic ethic of the State of North Dakota. These are people who want a chance to make a living, a reasonable living, to be sure, but a living, and they want a chance to make it in a lifestyle that they're familiar with, and that's the lifestyle of the farm.

Since 1980, as Senator Boschwitz and Senator Leahy have already pointed out, we've gone through some very dramatic changes. The cost of the farm program has gone up tenfold; at the same time farm failures have reached record levels. At the very time we've seen a collapse of farm prices, we have also seen a collapse in our exports and, as a result, all of North Dakota, from the farmstead to main street, is hurting and we're hurting badly.

In the last few months we've actually seen this country importing more agricultural production than we've been exporting. Let me just repeat that, because it's hard to believe that in this country, the breadbasket of the world, we have been importing more than we have been exporting, but that is the sad reality. And the result of all these factors is that we have seen net farm income drop in this country to the lowest point since the presidency of Herbert Hoover.

In 1986, in this State, alone, we saw farm program payments go up $260 million over the previous year, but we lost $450 million in the market value of the crops that we produce. In other words, that dramatic increase in Government payments was more than offset by the loss in the marketplace.

Well, these are all statistics, and statistics really only tell part of the story. I received a letter the other day and, Mr. Chairman, I'd like to introduce into the record because I think it sums up what so many people have experienced. Let me just take a moment and read from that letter. I received it anonymously, and as I go through the letter, I think it will become apparent why it was sent that way. This letter came addressed to me, and it said:

> We have been farming for close to 40 years on the same farm. My husband is a World War II veteran, serving for almost four years, part of that time in the European Theater. We bought our farm with a guaranteed veterans loan. It was small, but by hard work we added to it, so that it would be a viable operation. We are industrious people who have tried to pay our bills and be good citizens. In fact, we would be known as one of the anchors of our community.
>
> Because of a series of unforeseen circumstances, we had to borrow sums of money from FmHA in the form of emergency loans because of crop failures in our area due to drought. At the time that we borrowed this money, the interest rate was very high. Now, because of low farm prices, we are faced with a situation of not being able to repay these loans at this time. Our FmHA supervisor told us that if they foreclosed on our farm, the land would be reappraised and someone else, even one of our children, could buy this land at favorable terms. It could be bought with a five percent down payment, low interest rates and a long-term loan. I asked them if that could be sold to someone else at the present market value, why couldn't we buy it back on the same terms? The reply was to the effect that they felt that would be unethical because, apparently, we had not been frugal enough and that it would not be fair to everyone else. I find this to be a gross injustice.
>
> This is the first time that I've ever written a letter about any of the issues that concern us, but I felt that this was of the utmost urgency. If nothing is done to correct this situation, we are going to have a barren landscape in North Dakota and other midwestern states with a few affluent investors holding title to the land, and the states and communities will be bereft of their most valuable asset, the dedicated, hard-working people that have always been the heart of their communities. I hope that this travesty of justice will be among your first priorities.
>
> I would like to sign my name, but I owe it to my family and community to remain anonymous, since no one realizes that we are in this desperate situation.
>
> Sincerely, a concerned farm wife.

I just want to say to you, the members of this committee, that I have received literally dozens of letters like this, many of them with the people signing their names. This letter, I thought, was especially poignant in that they wanted to remain anonymous because no one else knows they're in that desperate situation. I can't tell you the number of close friends of mine that have come to me and shared that same thought with me. Nobody else knows they're in desperate trouble.

Well, our goal in coming to Bismarck is to hear solutions that we can take back to Washington and implement to see that this kind of tragedy doesn't happen to anyone else. That's what we're here for and, again, I thank the Chairman and the members of the committee for making this effort.

On our first panel is North Dakota's Agriculture Commissioner, Kent Jones—an excellent first name. [Laughter.]

The CHAIRMAN. We welcome you and thank you for being here, Commissioner.

Senator CONRAD. Also on the panel are Lieutenant Governor Ruth Meiers, and our Governor, an excellent Governor, George Sinner. [Applause.]

STATEMENT OF HON. GEORGE A. SINNER, GOVERNOR, STATE OF NORTH DAKOTA

Governor SINNER. Gentlemen, thank you very much for being here.[1] We truly are honored by your presence and your zeal, and none of us, I think, in any way diminishes the difficulty of your assignment. We've all been kicking around in the world of ag policy one way or another for all these years and we know it's difficult. I think what probably is little perceived, however, is the length and breadth of the problems that have resulted from deficit spending from an overvalued currency, and I don't know if I can describe all the other things. We have come to understand here that it's not just agriculture; it's forestry and mining, the energy industry, the manufacturing. Recent figures that I saw show that U.S. manufacturing is now below 1971 levels. But in no place have I seen the hurt that we see here in this highly production-oriented State, where not only our agricultural production, but our energy production, as well, have suffered.

I want to show you a printout of the farms that have been taken over by a Federal agency in just one small county, Dickey County, in North Dakota. Here is the list of farms in that one small county that have been taken over by foreclosure and liquidation of one kind or another. It approaches 22,000 acres. I can't give you a bird's-eye view of the frequency with which that's repeated across this State, but I can tell you that what Kent has said about the personal agony is true; it's everywhere; it's different in some ways for farmers than it is for other people. There are lots of people who have lost their jobs, many have lost their businesses that were farm-related; but somehow there's a difference for farm people who have never experienced that going out in the public to look for a new job; they've had their lives and their heritage tied to the farm and it's a whole new world full of many new traumas for them when they lose their farms.

I want to say just two substantive things. In our minds here restructuring of these farm debts makes such absolutely complete sense. No one is gaining by the foreclosure and liquidation syndrome—no one. The equity is gone. The creditor is not going to benefit from restructuring; the farmer surely is not going to benefit, neither is the bondholder, and it defies out—it defies reason that the liquidation and foreclosures go on, and beyond that the obligation of the Congress, it seems to me, to make certain that these farm credit agencies have adequate financial backup is absolutely critical. It seems automatic that we're going to protect the bondholder, but we somehow lose track of the other people that have suffered in this syndrome, as well.

Secondly, one of the things that's little understood in this country is the quality of life of the people here in the heartland. You're now almost in the geographic center of North America, and what is here is the most—one of the most literate groups of people in the entire United States. It's a State that has—was the first State to qualify for the standards of the Clean Air Act, the first to qualify for the standards of the Clean Water Act. It's a State with by far—

---

[1] See p. 252 for the prepared statement of Governor Sinner.

by far the lowest crime rate of all the 50 States, an almost infinitesimal percentage of its people incarcerated; the lowest divorce rate, the State that provides more nursing home beds for her elderly than any other State in the Nation. And what is even more amazing is that it's a State that graduates from her high schools more high school graduates per capita than any other State in the Nation, that sends a higher percentage of those to college than any other State in the Nation.

All of that has—is strangely misunderstood by the people of this country who think of the rural parts of America as somehow backward, out in the sticks, all of those connotations, and what really is the truth is that here in the heartland of rural America, and the heartland of the entire American Nation, sits the heart and soul and, if you will allow me, the conscience of the Nation that has seen the importance of free enterprise, the importance of what is so basic to this country's history, and we have frittered it all away and are threatening to finish the job if we don't take immediate action on the part of Congress.

I again want to say that I sympathize with the complexity of your work; it is an almost insoluble problem with the burgeoning food reserve. We're up now to almost 1960 levels of food reserves of all categories and your work is very difficult with the U.S. holding such a large percentage. But I'm convinced that with the will to, number one, protect the farmers that are still on the land and, number two, work in a multilateral way with the other countries of the world, this problem can be solved and the people of the world fed, as well.

I thank you very much for coming.

STATEMENT OF HON. RUTH MEIERS, LIEUTENANT GOVERNOR, STATE OF NORTH DAKOTA

Lieutenant Governor **Meiers**. Mr. Chairman, distinguished Senators and friends.

I was going to say "farmers," but I hope there's more than farmers here today. But being one, I'm so delighted that we have such a good attendance.

Good evening! My purpose tonight is to share with you the Senate Concurrent Resolution 4044, which was passed by both of our houses of the legislature and which really speaks for the problem as our legislators see it and as our people see it. It was introduced by Senator Walter Meyer and by Representative Eugene Nicholas, who are both present, I believe, tonight. It was a concurrent resolution urging Congress to adopt positive, solution-oriented programs of assistance, targeted to address agricultural economic difficulties:

> Whereas, the agricultural sector continues to face the combined problems of weak export markets, competitive advantage difficulties, declining asset values, nonproductive debt and lack of available credit at an affordable interest rate; and
>
> Whereas, the prolonged difficulties have created a negative attitude, which hinders progressive actions to stimulate an agricultural sector turnaround; and
>
> Whereas, burdensome world grain stockpiles continue to clog this country's prospects for a dramatic increase in export levels; and
>
> Whereas, one-third of commerical farmers have two-thirds of the total debt of the commercial farmers; and

Whereas, this substantial amount of debt is nonproductive and cannot be paid out of the earnings from assets; and

Whereas, federal budget cutbacks in agricultural programs are being proposed at a time when farm and ranch families are depending on the federal government for continued support in its commitment to aid in the transition that agriculture is going through; and

Whereas, the impact of farm economy difficulties greatly affects the overall well-being of rural families, communities, and the State of North Dakota as a whole;

Now, therefore, be it resolved by the Senate of the State of North Dakota, the House of Representatives concurring therein:

That the Fiftieth Legislative Assembly urges the Congress of the United States to adopt positive, solution-oriented programs of assistance targeted at addressing farm credit difficulties and to improve the Food Security Act of 1985 to provide improved returns to farm and ranch families, thereby reaffirming a commitment to a strong agrarian system of family farms and ranches; and

Be it further resolved, That Congress implement measures in the farm program to target government spending to full-time family farmers and ranchers and to also target a portion of this spending to deal with the debt crisis facing American agriculture; and

Be it further resolved, That the Congress consider the impact of the agricultural sector of constant changes in farm program operation and federal farm policy changes; and

Be it further resolved, That copies of this Resolution be forwarded by the Secretary of State to the President of the United States, the United States Secretary of Agriculture, the Chairmen of the United States Senate and House Committees on Agriculture, and to each member of the North Dakota Congressional Delegation.

I think this administration, the Sinner-Meiers administration, has been very, very oriented to agriculture. We both have lived on a family farm all our lives, and although the Governor has contributed a great deal more to the population, having 10 children. [Laughter.] I have contributed my share with four sons, and I think we both feel very——

The CHAIRMAN. Does this have anything to do with the long, cold winters out here? [Laughter.]

We've got big families in Vermont. You don't have to answer that. [Laughter.]

Lieutenant Governor MEIERS. But I really do feel that the—we feel very, very close to the people of our State and understand their problems and realize that you are probably the solution to them. And we thank you very much for coming today.

The CHAIRMAN. Lieutenant Governor Meiers, if I could just add a personal note. I do appreciate you coming out here for the hearing. I know you feel very deeply about these issues as Governor Sinner and Commissioner Jones do, and I just wanted you to know how much it means to me, personally, and to the committee that you were here with us tonight.

Lieutenant Governor MEIERS. Thank you very much.

Commissioner JONES. Mr. Chairman.

The CHAIRMAN. Commissioner.

Commissioner JONES. Senator Conrad and other distinguished Senators. I'm very happy that you had this session for us and have come out here to see us, and I'm so thankful that so many people came out to meet with you.

Senator Conrad called my office a couple of weeks ago and left me a tough assignment. He said, "In three to five minutes tell us what you see as the problems facing agriculture, and offer some solutions." [Laughter.]

The **Chairman**. He gave you the whole 3 minutes. [Laughter.] Boy! Go ahead.

Commissioner **Jones**. I arrived here and I said, "I can't do it in less than ten," but they said I was still to only go to five; so that's what I'm trying to do. But I see many problems and I have some ideas how we can rise up to meet the unique challenges facing agriculture——

The **Chairman**. Commissioner, could you pull the microphone closer?

Commissioner **Jones**. Closer or farther away? Which way do you want it?

Senator **Boschwitz**. It depends on what he's going to say. [Laughter.]

STATEMENT OF HON. KENT JONES, COMMISSIONER, NORTH DAKOTA DEPARTMENT OF AGRICULTURE

Commissioner **Jones**. Now, anyway, I'm not sure any of my ideas will work.[1] I'm sure I don't have all the answers even if you gave me 3 or 5 years, but the farmers here are the best source of ideas and solutions. For several years, executives in successful, thriving businesses have told us that the best ideas about how to solve a problem or do a job come not from the upper-level executives or bureaucrats, but from those who actually do the job, and I think it's about time we applied those principles to agriculture. After all, agriculture is the biggest business in the United States, and certainly in North Dakota.

In the past it seems top-level bureaucrats have formulated policies and created problems without bothering to ask farmers, as you gentlemen are, if they are workable and practical. There has been too much telling farmers what they need and not enough asking farmers what they need.

Some on the Federal level have advocated moving towards mandatory production controls, and I think this is another example of telling farmers what they need. I feel it would be counterproductive for the United States to set production controls when our competitors have no such intentions of their own. We may be able to control commodity production in the United States, but we cannot control world production. Commodity surpluses are a global problem, not strictly limited to the United States. If we cut our production, our competitors will be only too happy to step in and pick up the slack, and U.S. agriculture will be worse off than ever.

Through our North Dakota farm credit counseling program, we have learned quite a bit about what farmers need. We've learned that, had this program existed earlier, many farmers might still be on the land today. We've learned that farmers in crisis need support of many kinds—financial, emotional and technical. Those who cannot continue to farm must be retrained and assisted in finding new jobs, but first we must have new jobs for them to find. For too long North Dakota has exported its most precious resource—its people—and we need your ideas as to how we can stop this trend.

---

[1] See p. 253 for the prepared statement of Commissioner Jones.

I'm very proud of North Dakota's farm credit conseling program. It won the Innovations Award from the Council of State Governments last year and has proven its value by its success rate. This program is a vital service to farmers in difficulty.

To watch the television news these days, and read the paper, you'd think every farmer in America was facing foreclosure. There are those for whom this is a very real nightmare, and we must do our best to help them weather the storm. They must realize that they are, in most cases, not at fault, but rather victims of high interest rates, falling land values and many, factors over which they had absolutely no control. Hopefully, programs like the North Dakota farm credit counseling service can fill some of these farmers' needs, and programs such as the interest buy-down can help those farmers in the middle of the spectrum who will need some help to maintain a viable family farm.

At the State level, we in North Dakota have done the best we can to adapt to the framework given us by Congress. In the past few years, our office has organized programs to meet farmers' needs at many levels. We've done this with agri-bound issues and started the interest buy-down program to make low-interest money available to farmers who need help to cash flow. The farm credit counseling program has spawned a network of support systems to help farmers find mental health and legal and financial assistance. The Pride of Dakota program is a huge success—market tests have proven that if North Dakota consumers can identify home-grown and processed products on their stores' shelves, they're more likely to choose them over out-of-State products. That translates into an increased demand for the product, and increased profits for North Dakota producers.

Another marketing tool I've worked on is the Export Trading Company. I'm looking to the ETC to bring back what I feel we've lost on the national level, and that's salesmanship. North Dakotans are a proud bunch and I know will make every effort to see that our customers are satisfied. I'm tired of hearing stories about countries who receive dirty grain from the United States or who order one thing and receive another. Pride in salesmanship has been lost somewhere along the line, and if we can't regain it at a national level, then perhaps we should give more latitude to individual States who will follow through on sales to domestic and foreign buyers. We seem to have forgotten that old business cliche "The customer is always right—even when they're wrong." We must sell our customers what they want, not what we want.

It's time for a new direction in agriculture—new answers to new questions. Apparently the way we have used our ag budget dollars in the past has not worked. Between 1981 and 1985, the U.S. Department of Agriculture's outlays increased 73.5 percent compared with 47.3 percent for the rest of the budget. Federal assistance to the farming industry, including the CCC, is now close to $20 billion per year, up from $4 billion in 1981.

Yet the ag economy is far from recovery. USDA recently announced that farmers this year are receiving 4 percent less for their produce than they received a year ago. Yet while prices paid the farmers decrease, prices paid by the consumers at the supermarket increase. Why?

Perhaps it's time to target more dollars to research—research to reduce the farmer's input costs, thereby making it easier for him or her to make a profit. I also support research into new uses for surplus commodities. This is a time to increase our research investment, not cut back. I think it's time to target the dollars to the family-size farms—the viable, efficiently-run units which are the backbone of the industry—and to do away with loopholes which enlarge large corporate farms or enable them to reap the benefits of the programs. I also support expansion of export-enhancement programs. I have never understood why we in the United States have bins bulging with excess grain, yet every night millions of people go to bed hungry and children in our own country, as well as in foreign countries, still die of starvation in the 1980's.

Senator Conrad, you asked for solutions, and I don't know that I've offered any for you this evening. But I do believe that the first step toward meeting the many challenges we face in agriculture is to really listen to these people who are here tonight. Many of those who live in Washington, D.C., hear about the problems in agriculture on the radio or read about it from time to time in The Washington Post. But these people you see before you tonight live with the problems on a day-to-day basis and I sincerely believe that they are the experts on how these problems can be solved. want to thank you very much for this opportunity to be with you. [Applause.]

The CHAIRMAN. Thank you very much, Governor Sinner, Lieutenant Governor Meiers, and Commissioner Jones. Senator Conrad told me that it would be well worthwhile for us to hear from you, and it has been. I thank the three of you very much.

Governor, I look forward to being with you later this evening.

Correct me if I'm wrong on this, but the next panel will be Harriet Schneider, Don Alexander, Howard Cotton, Robert Heaton, and Alan Bergman. Have I got that right? Just a personal observation—I was struck by it because my wife is over here. We found two neighbors from Vermont who are also here visiting. I can't get away with anything right now. I see them at the conference here. Let's see. Let me make sure I've got this——

Senator BOSCHWITZ. That's how North Dakota can make it, too.

The CHAIRMAN. Sure is. That's right.

OK. The Vermonters come out here to go skiing. That's fine.

Senator DASCHLE. Mr. Chairman, I just think it's appropriate that our audience know not only do we have the honor of having the chairman in North Dakota, but his wife is here along with him, and Marcelle, ought to stand, so she can be recognized, to make sure we all see her. [Applause.]

The CHAIRMAN. Yes. See, I must be ahead. She always does. You see, today I was the one who made the slight, not Marcelle, who got here before.

Let's see. Mrs. Schneider, Mr. Alexander—has everybody got the right name in front of themselves. Fine. Why don't we then go in the order you are. Mrs. Schneider.

Mrs. SCHNEIDER. Senate Ag Committee members. Members of the audience. Distinguished guests.

The CHAIRMAN. Just pull the microphone right up there.

STATEMENT OF HARRIET SCHNEIDER, HERBRON, ND

Mrs. SCHNEIDER. I'm Harriet Schneider, and my husband and I live at Herbron, North Dakota. We have a diversified farming operation which consists of wheat, feed grains, alfalfa, cows, and feeder calves. One of the major problems we face are low prices we receive for our commodities. In my area production costs range from $3 to $6 per bushel of wheat. These figures are computed in several ways, such as whether new or used equipment is used, whether the farmland is paid for or being paid for, and so on. At the elevator we receive from $2 to $3 per bushel for wheat. This creates an imbalance, which is made up by the farmers. We cannot pass these on to the consumers. We make up for these losses by doing the following: We borrow more money; we cut back on purchases; there is no expansion of the business; or by finding off-the-farm employment. If we could make a profit over the cost of production, we could reverse all of the above items.

I've heard that when a farmer spends $1 that dollar is turned over seven times in the marketplace. High interest rates have been a problem for us. In 1980 we purchased farmland and paid 9 percent interest and over a period of 3 months the interest rates went up. By 1982 we were paying 16 percent interest on this loan. Interest rates have been going down now, but it is still a problem.

In 1982 I found off-the-farm employment. This year I'm looking for either full-time employment or another part-time job to supplement the farm income. When thousands and hundreds of thousands of dollars are involved, a one-half to 1 percent or more difference in interest rates makes a determination whether you pay back only the interest or pay back on the principal.

We have encountered problems in protein testing of wheat. At the elevators wheat is priced according to percent of protein it has. You can take the same sample of wheat to two or three different elevators and have as much as 1 to 2 percent difference in the protein of wheat in the same sample. For every two-tenths of a percent difference in a protein reading, this amounts to approximately 10 cents on a bushel of wheat. This fall we took the same sample of wheat to four different elevators and got back four different readings. We then sent a semi load of wheat to the place where the test sample was 14.3 percent and they tested that load at 12.1 This wheat came from the same bin that the sample was from. The difference in price amounts to around 60 cents a bushel. Why the big difference between the test sample and the semi load hauled? We do not know. The recourse to this situation is very limited.

In the last issue, the February 7 issue, of The Dakota Farmer, there is an article on protein testing and it states in that article that the equipment is intentionally calibrated on the low side by the elevators to protect themselves and/or to make money. These machines are very easy to change, so readings can be high or low. When 77 percent of the tests are wrong, it shows a problem. Perhaps the protein tester should be checked on a regular basis by the Federal Grain Inspection Service, just like the scales are done now.

The farm program has caused more stress and frustration than any other program. It is very complicated. We cannot adequately plan for the coming year because we do not have the information needed at an early enough time. Also, the rules keep changing. At times there's a period of days or hours to determine your farming plan for the coming year. Also, each county office has different interpretations of the rules. We farm in two different counties and each county office has different interpretations for the same rules. A little bit confusing!

In the Conservation Reserve Program we still aren't sure of the final rules. Today, February 9th bidding is open for the highly erodible crop acres, but as of February 5th no final rules had been passed down. Also, we are being discriminated against because we have been practicing good farming conservation practices. We find it difficult to get into the Conservation Reserve Program while the farmer who did a poor job of managing his soil and lets it erode is eligible for the program. I feel that eligibility should be determined with a strict soil type and class system.

The new tax laws look like they could be a problem. A few weeks ago many of the tax lawyers and tax accountants weren't sure on how to handle different tax questions. On our diversified farming operation I foresee problems in qualifying for the breeding stock rules of which items like water, electricity, feed, and so on, must be kept for each breeding animal.

We are considered to be good managers and operators. The problems I mentioned are not caused by lack of management; they are caused by low prices and high interest. It gets to be depressing to always be planning about things we can do or buy after we get out of debt or when we get close to being out of debt, something happens that needs a large outlay of money—either a crop failure or a major equipment purchase, and we're right back to where we started. When we make a profit, we gladly help the whole economy by spending it.

Thank you.

The CHAIRMAN. We'll go through the whole panel and open it for questions, but I must admit the point you raised on the problem of testing is something that I was not aware of, and I'm glad you did. I probably never would have heard about it in Washington.

Mrs. SCHNEIDER. Thank you.

The CHAIRMAN. Mr. Cotton.

STATEMENT OF HOWARD COTTON, CUMMINGS, ND

Mr. COTTON. Thank you.

Distinguished Senators. Mr. Chairman. And friends.

My name is Howard Cotton. I farm 1,600 acres at Cummings, North Dakota, and that's on the east side of North Dakota, very close to Mr. Boschwitz. My production consists of wheat, barley, oats, soybeans, and sugarbeets. It is a family partnership operation.

I am deeply concerned about the direction of United States agriculture; specifically, production agriculture as it directly affects myself and my surrounding environment. I have lost innumerable neighbors, businesses, and we are losing our community structures.

Education at every level is being dramatically affected, from elementary level to higher education. The very core of our lives is being uprooted. Our agriculturally based State is in trouble. Many of our communities are surviving today on three types of income, the payrolls where you have an armament or defense type of industry, the Social Security checks and the farm program checks. The source of the problem is a lack of farm income. And, again, I say the lack of farm income. By any system of measurement, production agriculture as a first-level industry is receiving less than 50 cents on the dollar for its production; current parity index of less than 50 percent on the average. This represents a tremendous loss of revenue at the very first level of income that precipitates through our communities and local, State and national levels. This loss of income is a primary source of our economic problems.

The current farm program is pushing some money out to farm producers. Some very large operations are getting big sums while the average family operation is forced into bankruptcy with a Federal program that undertakes to influence production by setting aside acreage. Many of us have come to the conclusion that you cannot influence production through an acreage control program. We have industry and education pushing maximum yield concepts versus Government acreage control programs, and it is very contradictory.

We need a responsible supply management program. We must recognize approximately 70 percent of all production goes into the domestic market. Let us produce a reasonable amount to meet these domestic requirements. If we want to subsidize exports in an effort to correct the miserable misbalance of foreign trade, this is a separate policy. Don't place the whole burden of offsetting Japanese and European exports to this country on the backs of the farmers by asking us to sell our production at fire-sale prices.

Most of my neighbors agree with me that the 1985 Farm Act is a bust. You have lowered our loan rates and consequently our prices. You are spending too much money from the U.S. Treasury and still accumulating too much unsold production. A trade war, trying to force our products into a world market, has resulted in low prices for our farmers and for producers in many other countries and huge outlays of money to subsidize both farmers and traders who are involved in the export trade.

You seem to be operating a program designed to please the corporate management in the case of the railroad, fertilizer manufacturers, chemical makers, shipping interests and those in the exchange of profit by large-volume trading. If you want to get this farm economy straightened out, you should start with the basic, producing units. We think you should hold a series of hearings on new legislation this year and move to put a better law into effect with the 1988 crop. The recent wheat poll indicates farmers are willing to cooperate a well-run program. It should be administered in bushels. We should have a program based on marketing controls in bushels, subject to a referendum of producers. Increase the loan rate to approximately $5 per bushel on wheat and $3.50 per bushel on corn. Stop the payment altogether and give producers a chance to work their way out of this problem.

Agriculture needs huge amounts of borrowed money, both for investment capital and production expenses. We feel a need for a responsible secondary mortgage market for farm paper. We feel some change in direction is needed. It has not functioned well in the past. The reward for prudent and conservative business management in the 1970's is paying the interest on the bad debts in the 1980's.

Thank you for your time.

The CHAIRMAN. Next we'll hear from Alan Bergman, President of the North Dakota Farmers Union. Mr. Bergman.

STATEMENT OF ALAN BERGMAN, PRESIDENT, NORTH DAKOTA FARMERS UNION

Mr. BERGMAN. Mr. Chairman. Thank you very much. I'm an active farmer operating a small grains farm and livestock unit in LaMoure County, in south central North Dakota.[1]

As producers we need immediate improvements in the farm law for this crop year; a new program beginning with 1988; realistic trade policies and negotiations; and increased direct Farmers Home Administration loans.

The basic issue facing this Nation is the structure of American agriculture. In recent years we have seen a massive loss of full-time farmers.

Over the past month, I've seen 90 quarter sections of land advertised for sale in the local weekly papers in my area, and Governor Sinner held up the printout of many of those, because that's my area of the State. Because of low farm income and lack of cash flow, very few family farmers have the ability to purchase this land, even at the lower prices. There are no FmHA ownership loans available for beginning farmers to purchase this land. Thus, most of the land is sold and going to the larger farm operators.

This is not only an economic issue, but also a community and social issue. The loss of family farms means a continued weakening of the business, governmental and community infrastructures of rural America. And all of America will suffer if we continue to concentrate food production into fewer and fewer hands.

The original goal of a national agriculture policy was to stabilize the family-farm system. Today the American family farm has become the residual, rather than the primary, beneficiary of the Federal farm policies.

At the same time, the 1985 Food Security Act has become the most expensive, the most complicated, and the least effective law, I believe, in our Nation's history. It simply is not working for the vast majority of our family farmers.

It needs to be replaced with a permanent law that provides farm income protection on the first units of production based on family farm operators. We are recommending a program of nonrecourse commodity loans set at 110 percent of the national average production costs. We would start with the current program crops and then expand price protection to include sunflowers and other specialty crops.

To eliminate the current distortions and inequities in the crop bases, we would do away with them and give farmers the freedom to determine their own acreages and planting. We would give producers initial protection up to $125,000 annually in commodity marketing loans. Production beyond that level would be at their own economic risk. We believe this would promote a self-regulation of supply. However, in times of serious oversupply, we are proposing a separate program of market management through producer referendums.

---

[1] See p. 254 for the prepared statement of Mr. Bergman.

By using commodity marketing loans——

The CHAIRMAN. I'm sorry. Give me that last—"market"——

Mr. BERGMAN. We are proposing a separate program of market management through producer referendums.

The CHAIRMAN. Through producer referendums.

Mr. BERGMAN. By using commodity marketing loans, we would tie farm program benefits directly to actual production, rather than to acres and yields. We believe that such a direct tie is absolutely necessary, and we are adamantly opposed to the "decoupling" concept.

We believe our proposal would substantially cut farm program costs, target farm program benefits to family farmers, and also meet the administration's objective of not interfering with the marketplace.

We have to recognize that free trade will never become a full reality because of the internal economic, social and political pressures that every nation must deal with. We, therefore, have to make a shift away from confrontation and reprisals to serious, hardnosed trade negotiations.

Ideally, we should negotiate through multilateral trade talks, but I believe we should start with practical, bilateral, reciprocal trade talks with those nations with which we have trade deficits.

We need to use our Nation's position as the single largest importer of goods in the world to gain access to markets. Simply put, if our trading partners want the marketplace open to them, then they have to give us equal access to their domestic marketplace.

While it is not a primary focus of today's hearing, we would urge this committee to look at three specific farm credit concerns.

First, the direction of both the 1985 farm law and the administration's policy of phasing out direct Farmers Home Administration ownership and operating loans must be reversed. We need a greater funding for these direct-loan programs. We need immediate congressional review of these regulations, and investigation into administrative policies which are hampering both the Farmers Home Administration borrowers and their county offices.

In summary, I'd like to say that we're providing the committee with a way to provide income protection tied directly to the family farm, develop a reciprocal trade program and establish Farmers Home Administration as a viable lender for the family farm units.

Thank you.

The CHAIRMAN. Thank you. Before we go to Mr. Heaton, I just wanted to make sure: I have in my notes here, Mr. Cotton, that I understood you to say that the 1980 farm bill is a bust. You meant the 1985?

Mr. COTTON. 1985.

The CHAIRMAN. I may have misunderstood you. I just wanted to make sure. But you meant 1985, didn't you?

Mr. COTTON. Yes; I did.

The CHAIRMAN. Robert Heaton, please.

STATEMENT OF ROBERT HEATON, McKENZIE, ND

Mr. HEATON. I'm Bob Heaton. I farm about 25 miles east of town here, in partnership with a son and a daughter.

It's my opinion that the present farm program should be continued with some minor changes and without a cut in either target price or price supports. PIK certificates have worked very well to put both loan and reserve wheat on the market in an orderly fashion; also for buying back feed grains for livestock feed. I feel that a reserve of grain on the farm is a good insurance to us as a nation. We have spent our resources to raise these grains; let's not export them at less than cost to countries that do not appreciate our way of life.

Some of the concerns that I have over the present program is—one is the sodbuster bill, and they have included alfalfa as a sod, which I feel is not right. We have used alfalfa as a crop rotation to—as a soil conservation measure and to work in better with our crops, and now we are—possibly we'll be penalized by that, the fact that we planted this alfalfa in rotation.

Also, I would like to talk about the repeal of the capital gains tax on farm lands sold. Quite a few people, like myself, have sold the land to their sons and several years ago with the expectation of receiving this money and it would be treated as capital gains. To me this is a breach of faith to go back, take this away from us now after the contract has already been made.

Thank you for listening to me.

The CHAIRMAN. Thank you very much.

Don Alexander from Martin, North Dakota. Mr. Alexander.

STATEMENT OF DON ALEXANDER, MARTIN, ND

Mr. ALEXANDER. Mr. Chairman. Members of the committee. I'm a farmer from up at Martin-Harvey, the central part of the State, principally a small grain producer, wheat, durum, barley, sunflowers, and some beans.

Senator BOSCHWITZ. Where is Martin?

Mr. ALEXANDER. Martin, North Dakota. It's in the central part of the State, near Harvey, North Dakota. [Laughter.]

The CHAIRMAN. East or west of Harvey?

Mr. ALEXANDER. Respectfully, west of Harvey. [Laughter.]

The CHAIRMAN. Oh, heck; I know where it is. [Laughter.]

We're having a hearing there next week. [Laughter.]

Mr. ALEXANDER. Mr. Chairman, the first priority of Congress in solving the crisis at hand should be credit relief and debt restructuring. If we had $5 wheat tomorrow, some of my neighbors would not be helped because of the high interest rates and several years of high real interest rates. Then there's an attitude out there among the lenders, and we see it on the part of FmHA; it seems to be a punish-the-borrower attitude; somehow he did something wrong. It goes all the way to the top.

I'm going to depart from some of my prepared remarks and I'm going to show you an issue of a trade magazine here that we read. This is Farm Futures, and in this issue they interview Secretary Lyng, and to give you an idea how high that callous attitude goes, I want to have you listen to some remarks when they interviewed him about the President's compassion for the farm problem. He says:

> "One of the problems with agriculture today is that so much we hear about it is anecdotal. Lyng says, "Some reporter will start out in the kitchen with a weeping farm wife and the next thing you know that specific situation of grim economic poverty and bankruptcy gets turned into a general situation and the President gets concerned." So Lyng tells the President the other side of the story: "If they didn't have too much debt, if they were lucky, if they were wise enough to stay in the hog business, if they had big corn crops, as they did in 1986, there's a number of them that are doing okay this year."

Our State Secretary of Agriculture talked about victims. Gentlemen, I don't want to be a victim. I'm a businessman. I want to succeed and I need a price for my production to succeed.

It is a national shame that Congress is willing to sacrifice in excess of 1,000 farms and 130 small-town businesses a week based on an economic theory that doesn't work, a theory that says "You need to export more volume for less value and somehow maintain your farming operation." No other business on earth has ever been successful at selling their product at less than half of what it costs to produce it. If we need to give away bonus bushels of wheat to recapture export markets when wheat is only $2.25 a bushel, then we might as well give more bushels away with wheat priced at $5 a bushel and save the Government $30 billion in deficiency payments at the same time. We need to put the value back into our wheat and corn by raising the commodity credit loan rate to 75 percent of parity, which is wheat at $5. This means that we would raise the market price to $5, as well, and that we would eliminate costly Government deficiency payments.

There is a lot of misunderstanding among lawmakers about what fair prices mean. Farmers understand fair prices to mean the price that they get in the marketplace which should be high enough to cover their production costs plus a reasonable rate of return.

Let me tell you what happened to wheat in North Dakota by lowering the price of grain by $1 in the marketplace, even with the costly deficiency payments which were increased dramatically since 1985. According to the North Dakota Wheat Commission, we grow around 280 million bushels of wheat in this State. With the market price of wheat dropping by $1 a bushel or more, we lost over $280 million in wheat, alone. Now we gained $174 million in increased deficiency payments from 1985 to 1986 which has been touted as a strong point in the 1985 farm bill by its supporters, but when you subtract what we gained in deficiency payments from what we lost in value from our wheat, our net loss is $106 million.

Now this loss does not include similar losses from the rest of the program crops, like barley, corn, and oats. No way can anyone say that high deficiency payments, amounting to $26 billion last year, are a substitute for raising prices in the marketplace.

Our companion nonprogram crops are dramatically affected by the low price of wheat and feed grains. The price of flax that I got last year was $6 a bushel, and today in my home town of Martin at the elevator, flax is $2.90 a bushel.

Senator BOSCHWITZ. East of Harvey.

The CHAIRMAN. West of Harvey.

Mr. ALEXANDER. West of Harvey. Thank you. The major problem in central North Dakota is that only about——

Senator BOSCHWITZ. Pardon me. What did you say the price of flax was?

Mr. ALEXANDER. $2.90 at the elevator.

Senator BOSCHWITZ. Six bucks last year.

Mr. ALEXANDER. I received $6 for my flax crop.

Senator BOSCHWITZ. At the elevator.

Mr. ALEXANDER. Yes. We did some forward contracting; and I do read the other parts of this. [Laughter.]

The CHAIRMAN. I'd say you read it pretty well. Go ahead. [Laughter.]

Mr. ALEXANDER. The major problem in central North Dakota is that only about half of our acres on these farms are planted to program crops. When Congress sets the floor on wheat, corn, barley, and oats to less than half of what it costs us to produce, the price of the rest of our crops drops too. Once we raise that price back up to the higher parity levels, we will see our companion nonprogram crops regain their value.

When grain prices are as low as they are, our red meat prices are hurt, as well. Our trade and tariff policies are allowing millions of tons of red meat to cross the border and are priced so low that our cattle producers can't compete. We need a reasonable tariff on imported agricultural commodities so that we have a level playing field, instead of serving as a dumping ground for other countries to dispose of their cheap commodities. For example, if we raised all our red meat in this country, instead of importing this at cheap prices, as we are now, we would be able to use far more of our grain production and work to reduce costly surpluses; and here is a point that every farmer around here knows, that cheap grain makes cheap red meat. It's a farmer rule. We know it well.

I guess at this time I'd like to make some comments about our local areas.

You know, gentlemen, when you get on the airplane this evening and your staff gets on with you and you're tearing out at 30,000 feet, I want you to remember that we'll still be here. The problem will still be with us. We have to live here. And it's with us every day. In our neighborhoods, we have families that don't know where the groceries are going to come from next week. And that's real. You don't have to make those up. The national news media at times picks this up. It's old hat. But, gentlemen, we have to live here and we intend to stay here and make this thing work, but we need your help. We need some decent prices, and we'll succeed. We need some forebearance on the part of the credit policies and we need to change some of those attitudes, and I think I probably won't be able to talk to the Secretary anymore after what I said about him today here. I wish that you would speak to him. [Applause.]

The CHAIRMAN. Mr. Alexander, I do speak with the Secretary quite often, far more than I ever used to, and I will. But, you know, you made a point that we get on the plane, the staff and others, and we leave. That's true. The time will come later this week, and we will. I'll go back to Washington. I'll go back to my office there and take care of some work, and then I'll go back up to my own home in Vermont, a tree farm, but not one that I have to gain a living from. But before I do that, I am concerned about this anecdotal information. I am not one who wants to have my committee driven just by statistics and figures and studies and reports. Before I get in that airplane to go back to Washington, I'll spend the night here in North Dakota. I'll stay at a farmer's home—my wife and I will. The other Senators will, too, at other farmers' homes, and we'll ask further questions.

I know the people of North Dakota. I've been here before. I know you're very much like the people of my own State of Vermont; you're honest and you're hard-working. I'm not going to get a false opinion tonight when I'm staying at that farmer's home here in North Dakota. Nor will I tomorrow night when my wife and I stay at a farmer's home in South Dakota.

Our committee is going to be a voice for rural America and I think the vast majority of Senators of both parties on our committee want it to be, or they wouldn't be serving on this committee. There are a lot of other committees that might be more exciting, certainly a lot less work, facing nowhere near the difficult problems that agriculture does. This year, for the first time since I've been in the U.S. Senate, more Senators applied to be on the Senate Agriculture Committee than there were seats; and I think that's not because there are any votes in that, there aren't. The numbers are not there. They do it because they realize how important it is to our country. And you have helped a great deal—all of you—by being here tonight. Senator Conrad has helped by urging us to come out here, just as Senator Boschwitz did by urging us to be in Minnesota, and Senator Harkin and Senator Daschle urged us to go to their States. We do care.

I don't have any magic answers. None of us do. You don't; I don't. But we know that what's happening is not working. We know when the administration sends up a proposal to cut target prices by 10 percent a year, I know what the reaction has been throughout rural America on that, especially if they can't even set up the details yet, even though we've urged them to hurry up with them. So let's work together.

I'll get on the airplane later this week, but I'm not going to forget you. I'm not going to forget any of you. If we work together, we'll find those answers.

Thank you. [Applause.]

Mr. ALEXANDER. Thank you, Senator.

VOICE. Say, can I ask you a question?

The CHAIRMAN. Wait a minute. I understand we have some questions here. We'll have the experts come on back.

Senator BOSCHWITZ. If we could ask these guests to resume their seats.

I don't want to get away with this magazine.

The CHAIRMAN. Go ahead.

Senator BOSCHWITZ. I was fascinated, Mrs. Schneider, with your idea of some type of uniform protein testing. I've heard about that problem—we were whispering back and forth—but have never looked into whether or not there should be some means of protein testing in order to adopt a more uniform approach. Do you have any thoughts of how we would implement that, rather briefly, and I will look into it.

Mrs. SCHNEIDER. I was going to say in my speech I wish I had a solution. If I did, I wouldn't tell you; I would run for President of the United States. [Laughter.] But I really don't. The way I understand it on the protein testing machines, theoretically for them to be accurate they should be in a dust-free room; they should have them in an air-conditioned room and they should have their own electrical line so that the different surges of electricity would not alter them. Also, the same person should also be doing the testing, because if you put the test in a little bit different or in some other way, it does alter the reading. When you can go to haul three or four loads of wheat from the same bin to the same elevator and each load comes out with a different protein test, you wonder what's going on, and maybe with a surprise spot-check on the testers, it might help the elevators to be a little bit more honest. I really don't have a good solution on how to implement this.

Senator BOSCHWITZ. I'll look into it when I get back to Washington. I might say that I am the only U.S. Senator who, having been born abroad, in Germany, cannot run for the Presidency. [Laughter.]

The CHAIRMAN. That's the only reason he's not going to Iowa with us. [Laughter.]

Senator BOSCHWITZ. As I looked around the Senate chamber the other day and looked at the other Members, I also realized that I was the only Member at the present time who is not running for the Presidency. [Laughter.]

The CHAIRMAN. I would add a story to that. I remember back in 1980 I was sitting next to the oldest Member of the Senate, Senator Warren Magnuson, who was then about 80 years old and in failing health, and we were listening to another Senator making a speech for obvious purposes, and I turned to Senator Magnuson—we affectionately called him "Maggie"—and I said, "Maggie, look at this place. Everybody in here except the two of us is running either for President or Vice President," and he turned and looked around at me and said, "Leahy, speak for yourself." [Laughter.]

Senator BOSCHWITZ. You see what I mean now—what I've got to put up with over there—a bunch of prima donnas, except me, you know.

But I also will look, Mr. Heaton, at the capital gains tax. I have introduced legislation to change the capital gains tax to what it was, particularly the longer holding periods. I have two holding periods in my bill, a 1-year and a 3-year and at different rates if you hold it longer. If a farmer holds a piece of land for a very extended period of time and then has a capital gains tax on it, and really a lot of that gain is an inflation-realized increase in the value of the property. There is no allowance for the fact that inflation has increased the value of that property and it's taxed just like other income, I think there should be some leeway there.

I wanted to say to Mr. Alexander that I introduced interest buydown legislation which I always though was the most direct way to help farmers in need and probably from the standpoint of the Government, the most economical way, too. So many of these farm programs don't distinguish between need and no need, and credit buy-down should more realistically do that. But I wanted to ask each one of you, as I did in Minnesota of the farmers who testified there, if you would compare the results of your operations in 1986 to 1985. Was 1986 better than 1985? And how would you characterize 1986? Was it a fairly good year or bad year, and so forth. If you would all answer, from Harriet moving down the table, relatively briefly how was 1986 compared to 1985 and how was 1986 in general, good, bad, and so forth.

Mrs. SCHNEIDER. A hard question to answer. We just got one daughter in college so there goes more bills. I would have to say 1986 was a better year than 1985; and for the exact reason, I probably couldn't tell you. One of the big reasons was we have our debt down to the point where we could start paying off more on the principal that what we did in 1985. Also, with less interest rates each year—they had been dropping at least one to two percent—and with the less interest rates, this has helped us. Basically, as for the crop year, I would feel they were pretty much the same for us.

Senator BOSCHWITZ. Mr. Cotton.

Mr. COTTON. Yes. 1986 was a better year than 1985 for various reasons. One, we had made intensive use of the farm program to advance our income. We have to sources of income, the marketplace and the farm program, and it's the same thing that's available to everyone else. It did turn out to be a better year for us this year because of that factor.

Senator BOSCHWITZ. Excuse me. A good year, a bad year, a fair year?

Mr. COTTON. It was a fair year. An average-type year.

Senator BOSCHWITZ. You have 1,600 acres. How may acres of wheat?

Mr. COTTON. 396.

Mr. BERGMAN. This year for me was less than 1985 and I'll say most of its was weather-related. I mean that had the biggest impact on my operation. We had a tremendous crop coming, but in my area of the State where we came to harvest time and the wet weather, we seen it deteriorate before our eyes. So 1985—and this is what you'll find in agriculture, that you'll have the ups and downs not only of the economic conditions but of the weather conditions, and there's a lot of variables to deal with. So, for myself, it was less this year. I think of Don selling his flax; this year by the time I got any flax, it was nearly worthless.

Senator BOSCHWITZ. Mr. Heaton?

Mr. HEATON. 1985 and 1986 were both good years for our particular place, because it rained a lot here. We're in an area here where it doesn't always rain as it does in other parts of the State, and it rained very well for the last 2 years; 1986 just a little bit better because of a little bit more rain and we had quite a little corn in and we had corn yields here like we've never had before.

Senator BOSHWITZ. And how were things up at Martin, by Harvy there? [Laughter.] I had some stores in Minot, Devils Lake, Grand Forks, Fargo, here and Dickinson. I never was in Harvey, though.

Mr. ALEXANDER. You're welcome, Senator, anytime you want to come.

I don't want to be dramatic. I'll say, first off, that the year as it ended up was almost a disaster for us, and not so much because we do combine sunflowers in the snow, but the sunflower price was $5.50, and when you take those areas—that area over there where the farms are traditionally, you know—we chose wrong. We weren't lucky in 1980, 1981, and 1982 because flower prices were good, had heavy acreages, and so now our crop program basis in wheat and barley are weighted against us, so very few of the farms even have a half total base, and what happens is all those companion crops, and we're looking at just about half the numbers, crop value—flax, wheat—excuse me—not wheat—the sunflowers, the sunflowers basically. Eight hundred acres of even snowed-on sunflowers, it's tough enough, but when you're looking at that kind of price level, it's almost an insult.

I might add one other comment the committee might be interested in. It's my view—and Mrs. Schneider's problem with the protein tester—I think it's become a well-known fact that you can make more money with a protein tester than trading PIK certificates. [Laughter.]

The CHAIRMAN. I intend to look into the question of the dealing with the PIK certificates. We may add the testing on at the same time. Senator Harkin.

Senator BOSCHWITZ. Where is that town in North Dakota where they were trading all those PIK certificates? Was that up by you?

Mr. ALEXANDER. Nearby. [Laughter.]

The CHAIRMAN. That's east of Harvey.

Senator HARKIN. Thank you very much. Thank you very much, Mr. Chairman.

I, again, want to thank Senator Conrad and all the fine North Dakotans we have at this hearing today. I appreciated that last question by Senator Boschwitz about whether you had a better year in 1986 than in 1985. It sort of reminds me of the time in my small home town, Corning, Iowa. Someone here was from Cummings, North Dakota. I remember one year the basketball team went 20 games and lost every game. 0 and 20.

Senator BOSCHWITZ. Is that the year you were on the team?

Senator HARKIN. That's the year I left the team. [Laughter.] The next year they won one game, lost 19, and the headline in the paper was "Coach says this year was better than last." [Applause and laughter.]

So 1986 was better than 1985, but, my God, who wants to go to—I mean 1985 you were so far in the hole you could barely see out.

Now, I wanted to just say to Mr. Cotton, I think he said it all when he said to straighten out the situation in agriculture, you've got to start with the basic production unit.

Of all the programs I hear about and all the solutions, and everybody wants to go this way and that, you talk about increasing exports, you talk about getting debt down, you talk about all those things, but until you start getting farm income up, you're always going to be on the wrong road. You've got to start with that basic premise, you're got to get farm income up first and then you've got to figure everything else out after that. I often wonder what good does it do us if we continue to export more and more and get less and less for it. What possible good does that do? What we ought to be concerned about is not how much we export but how much we get for what we do export. It seems to me that would make more sense than continuing to produce and produce and produce.

Now I didn't have a chance to question Mr. Jones. I hope he's still here. Maybe he'd like to engage in a little discussion with me after the panels get through, but I'd just like to ask of the panel here, all of you: Were you in the farm program last year? Did you sign up? How many of you signed up? [All on the panel raised hands.]

How many of all of you signed up for the program last year? Let me ask another question: How many of you didn't sign up? Just a couple out there. Well, now I checked the records and found out that North Dakota had a 90 percent signup in the program. Why not—why did you sign up? Why not stay out of the program? Why did you sign up?

Mr. COTTON. The advantage looked better. I'd like to clarify something also to Senator Boschwitz. I was involved in a program that's a collective bargaining program that offered me a lot of expertise to enhance my marketing position last year, and that was also part of the gains that we made.

Senator HARKIN. I guess what I was pointing out with the fact that everyone signed up is that—I mean you talk about mandatory programs. I submit to you that there's no program more mandatory than what we have right now. I mean you've got to sign up. If you don't sign up, what's the farmers' choices? Go broke now or go broke later. What kind of freedom of choice is that? So, again, when you talk about mandatory controls, at least under the legislation that I've proposed, at least I'm willing to give the farmers a right to vote on it; at least they can have one farmer-one vote. If they don't want it, I mean that's up to them, but at least I think the farmers ought to have the right to at least have some voice, some say-so, in the kind of program that affects them.

Now, I just wanted to say one other thing about what Mr. Jones had said in the beginning. He talked a lot about all of these solutions, and I grant you there's a lot of things we can do on direct Farmers Home Loans. I'm all in favor of those getting credit restructuring, spreading out the debt repayment schedules and all that sort of stuff. But, darn it, those solutions take a long time to bring about. When you're drowning in the middle of the lake, you don't worry about what's for Sunday dinner, you know, and farmers are drowning in America, and that's why I think we have to take some different courses of action, so that we can bring our supply in line with demand.

The proposal that we have put in—the studies that have been done by Iowa State and the University of Missouri show, number one, we increase farm income; number two we cut Government costs; and, number three, even though our export volumes are not as much as under the present bill, we get a lot more for them.

I just want to say right now—I was not born with my feet in concrete. Anybody else that can come up with a farm program that will, first, increase farm income; second, cut Government costs; and, third, get more money for our exports, come forward. I want to see it. But I want to first have a program that gets farm income up. Don't bring me anything else that says we're going to cut Government costs. If we don't get farm income up, I know this Senator is not interested in it. I just wanted to make that comment to Mr. Cotton.

And, last, Mr. Alexander, when you said cheap grain leads to cheap livestock, I just wanted to quote here from the recent Iowa State study if I can find it here without taking too much of the committee's time, they say:

> A number of warning signs are emerging in the livestock industry suggesting that artificially low feed prices in the short term may stimulate inventory buildups that require significant future corrections.

And you all know what that means. So I think you're absolutely right. Thank you very much.

The CHAIRMAN. Senator Conrad. I had hoped we could look at the next panel.

Senator CONRAD. Mr. Chairman, I think in the interests of time here, because I'd very much like to get to our next panel and also have enough time for an open microphone here so that we can hear directly from the people who are in this audience, I will turn over my time.

The CHAIRMAN. Thank you very much. Senator Daschle.

Senator DASCHLE. Mr. Chairman, I will do the same. I only want to commend the caliber of the panel that we have before us. The contrast between what we've heard today and what we just heard a week ago is stark. It's important and it's something that I hope will be carried back. There's some cynicism, some criticism of this committee coming to North and South Dakota. It was in the papers; everybody knows it. They called it a dog and pony show. They said, "What difference does it really make whether or not we're here or not?" Well, your comments, if nothing else, raises the caliber of our ability to consider these issues. I commend each and every one of you for that. I'm just convinced, having just heard what I have, that most of you must have been born in South Dakota and moved north. [Laughter.]

The CHAIRMAN. On the next panel are Sanford and Gail Slinde. And Jessie's six; Jared, four; is that right?

Mr. SLINDE. Yes.

The CHAIRMAN. The youngest people even to appear before the Senate Agriculture Committee. Jared has a book that was my favorite book when I was a child, The Little Engine That Could. Who wants to lead off? Mr. and Mrs. Slinde.

STATEMENT OF SANFORD SLINDE, VELVA, ND

Mr. SLINDE. I guess I'll grab the moment and lead off before my son does.

Chairman Leahy, members of the committee, I would, first of all, like to thank you for conducting this hearing in North Dakota. This gives our family a special, unique opportunity in being able to express to you our problems and our hope for solutions to those problems regarding farm policy.

In order to fully explain my problems with current farm policies, some history on our farm operation is necessary.

I started farming on my parents' farm full-time in 1976 upon graduation from college. We operate a total of 1,280 acres, which is about an average-size farm for North Dakota. We own 160 acres and sharecrop the rest, some with my father and the rest with two other landlords. Of that 1,280 acres, about 820 is tillable, with the balance in pasture and native hayland. Our principal crops are spring wheat, barley, and sunflowers and we also have a small herd of beef cows. Prior to 1979 we were following rotation of approximately half wheat and half summer fallow. In 1979 we cut back our wheat production to approximately one-third of our acreage. Since then our cropping practice has been approximately one-third wheat, one-third sunflower and the other third made up of barley and summer fallow.

This switch to less wheat has turned out to be one of our biggest problems. When we cut back wheat production in 1979, our wheat base was also cut back accordingly. At the time we weren't overly concerned because sunflower was a profitable crop. That picture has since changed dramatically. Our wheat base is currently 36 percent of our tillable acres. With the required set-aside, that means I can plant 213 acres of wheat this year. Gentlemen, I can't support my family on that kind of a base acreage. The ironic part of this situation is that we in our own small way helped decrease the surplus wheat problem and are now being penalized with a low wheat base. Incidentally, this problem is not unique to our farm alone. It has happened to several in our area, especially with the popularity of sunflowers.

In retrospect, instead of diversifying 8 years ago into sunflowers, we should have stayed out of the farm program for a couple of years and planted wheat fence row to fence row. Then I would have a good base and could say that this program is working well.

Prior to this year we had not complied with the feed grain portion of the bill; however, this year, with cross-compliance enforced, we are even more limited as to what we may plant on the other half of our land.

I don't have a lot of problem with the current support levels of the farm bill, the $4.38 target level is close to my cost of production with an average year and good management and good weather.

I should mention one other area not related to the farm bill that has had a direct effect on our bottom line, and that is Mother Nature. We have been blessed the last 2 years with exceptional yields both in program crops and sunflowers. Without those above-average yields, our situation would be much worse. In designing a new or revised farm bill, two major areas need to be addressed. The first area is the base system currently being used. Personally, I think the whole setup of basis should be thrown out and a farm's total tillable acres be used. I think this would be a much fairer system for everyone.

The second area in need of change in direction is support toward family farms. We've all heard of the million dollar-plus payments being made to super large farms. America doesn't need to waste their valuable tax dollars supporting that style of agriculture. I think the urban public feels the same way. They don't object to a farm program as long as the payments are being made to family farmers.

Looking at the various farm bill proposals currently being discussed, I would say that the proposal by Congressmen Dorgan and Penny looks very attractive. I can't go along with their use of the current base acreage system for reasons that I've already mentioned, but I agree completely with their plan of supporting the first units of production. I think the Family Farm Protection Act, as proposed earlier by the North Dakota Farmers Union on the panel previously, is also quite attractive. Although similar to Dorgan's bill, it uses a total-tillable-acres concept rather than established basis. I realize that it is too late to make significant changes in farm policies for this year. However, there is still time for next year. The important thing to keep in mind is that the current program is not working for everyone.

As a farmer, I subscribe to the practical advice that if something doesn't work, throw it out and try something else; but, above all, keep trying.

Committee, thank you for your time.

The CHAIRMAN. Am I pronouncing your name right? Is it Slinde?

Mr. SLINDE. Yes.

The CHAIRMAN. Mrs. Slinde, please.

STATEMENT OF GAIL SLINDE, VELVA, ND

Mrs. SLINDE. Thank you.

Chairman Leahy and distinguished committee members.

I, too, would like to thank you for conducting the hearings in North Dakota and for giving our family the chance to speak to you about our unique problems and needs.

I was raised a city girl or as much a city girl as you can be when you live in a rural North Dakota town. Unfortunately, as a city girl, I didn't have much understanding of or exposure to farm life; certainly not much more understanding than thinking that farm kids were special because they got to ride the bus to school and we city kids had to walk.

So, when I got married and suddenly became a farmer, I was in for some culture shock. Notice, please, that I said I became a farmer—a farm woman, not a farmer's wife, not a housewife. I think this is an important distinction not just because I come from a generation of liberated women, but because the wife of a farmer is just as involved in the farm as her husband is. Farming is not just a job; it's a way of life, and it's a good way of life. There's something special about making your living from the land, surrounded by open pastures, fields and, yes, even the cattle.

A farmer's work is not like that of his city neighbors. Farmers don't put in a full day and then leave their jobs behind them; farmers live their work, their work is at home. Sometimes the hours are very long, lasting from daylight until long after dark, but during slower times we do have some fun.

A woman on the farm has an important role. In many families women do as much of the outside work as the men do. They seed grain, cultivate, bale hay, run the combine and drive the trucks; then they work in the garden, feed animals and cook large meals, often for hired men, as well as for their families. They also raise children and take care of the house. After hours they often sit down and do the farm's financial books. Of course, not all farm women take on all those responsibilities. Each family is unique and assigns roles based on its members' talents and abilities.

In listing all the responsibilities farmers have, I'm not trying to imply that I think farmers work any harder than city people do. Rather, my goal is to explain why I feel that farming is a way of life, a cooperative venture between a farmer and his wife, as well as their children. It's not just a job. At this time my farm responsibilities basically remain in our home. I don't do a lot of farm work outside our house. I do haul bales, help move machinery from field to field and act as a gofer; you know, I go for this and I go for that. I haven't done much, partly because our children are still quite young, but mainly because Sanford's father still spends nearly every day at the farm, at least during the spring and summer months, but grandpa is 78 years old and it probably won't be long before he begins to think it's time to slow down a little. At that time more of the farm work will fall on my shoulders, which is fine.

I like the work and I love being a farmer, but that leaves us in a dilemma. With the farm economy in the shape that it's in, we are falling further and further behind each year and it won't be long before I will need to look for full-time off-farm employment. Presently I do have a part-time job but it averages only 10 to 15 hours a month, which isn't much. Our problem lies not with the fact that I'm not willing to take on an off-farm job, although jobs are hard to find in our area, but that I will be badly needed on the farm, as well.

Our farm is too large to be run by my husband alone, but it isn't large enough to support full-time hired help. The only other option is that I devote my full-time energies to the farm, which is what we as a family would like, but we can't do that with the depressed farm economy. We need the extra income that even my part-time job brings in.

I won't try to tell you what kind of farm program we need. My husband has done that. But I would like to say that I don't think farmers as a whole want to live off the Government. We have too much pride for that. But we do need to be able to support our families. All we need and want is a fair price for our products.

Americans have a lot of stresses these days and farmers, like most people, worry a lot about making ends meet. Like city people, we also worry about educating our children and raising them to be happy and well-adjusted adults in a world that is a clean and safe place in which to live; but farmers have the added stresses of wondering whether Mother Nature will bring hail, tornadoes, drought or floods to destroy our whole year's crops, and thus our total income, while the bills still have to be paid and the kids still need shoes.

Farmers seem to have the reputation for being beggers who are never happy with what they have and who always want more. I don't think that's the case. Farmers are human. We have the same dreams of getting ahead as our city neighbors do. We would like nice homes and cars and a few luxuries to go with them, but what we really want and deserve is simply a chance to make a profit and to maintain our way of life. Farming is a good life. We don't want to give it up.

Thank you. [Applause.]

The CHAIRMAN. Thank you very much, both Mr. and Mrs. Slinde.

Senator Daschle talked about the reason for coming out. If we had this hearing in Washington, we would have a learned paper done—given to us by somebody who had studied what farm families are like. I find it far more important to the committee to actually come out and listen to a farm family. There's no way you could have come to Washington to testify for us. I'm glad we were able to have a chance to come here and hear the both of you. Thank you.

Mr. **Slinde**. Thank you for the opportunity, Senator.

The **Chairman**. Thank you both, and they're two beautiful children.

Mr. **Slinde**. Thank you.

The **Chairman**. Probably a handful, too, at times.

Mr. **Slinde**. It's been a long day, but by the same token, we'd certainly respond to any questions that you and the committee might have.

The **Chairman**. I think your testimony was very good. I think you answered all the questions and probably raised some that may be unanswerable.

What I'm going to suggest now is that the committee stay here and take questions for 15 minutes or so from the audience. Your testimony was very powerful and very eloquent, and I thank you both a great deal.

I'm going to ask Senator Conrad to moderate this and direct the questions. Kent, if you would take over.

Senator **Conrad**. Mr. Chairman, before we start the open-microphone session, I'd just like to thank Arlon Voge, the head of Farmers Livestock Exchange, who has made this facility available to us tonight. Arlon, if you'd stand up and be recognized.

We have microphones in the audience. I think we've got a first questioner right up here. Eric, if you could direct the microphone to the questioner. Statements or questions are certainly in order here. So if you don't have a question, but you'd like to make a comment, something for us to keep in mind when we go back to Washington, please do that. Try to keep them as brief as possible so we can hear from as many people as possible.

Voice. I'd like to make a brief——

Senator **Conrad**. Hold just one minute, sir. We have somebody recognized right here.

Voice. Senator Conrad and committee:

With the new current farm program of cross-compliance measures in effect, what assistance can be given to the new farmers or small farmers who have no or small ASC program acres? In the past, in an attempt to gain a base, many remained out of the program. Now, with the cross-compliance, we are not allowed to grow enough feed for our farms or to make gains to compete with our neighbors.

The **Chairman**. All right. Go ahead.

Senator **Harkin**. Go ahead, Mr. Chairman.

The **Chairman**. As chairman, I've been hogging too much of this. Now it's your turn. You answer that one.

Senator **Daschle**. I'll start just by saying that I don't think that there is much of a program today. That's the problem. We used to have the Limited Resource Program for young farmers to get started through the Farmers Home; we had mechanisms by which farmers could establish a base, but they're no longer there. But I must say until we get an income, until we get a decent price, I'm not sure I'd advise any farmer to get into agriculture. That's a very sad commentary on the system we have today; but we clearly have to have one if we're going to allow those two young kids who are in agriculture—or who were testifying today to get into agriculture in the next generation.

VOICE. Mr. Daschle, I've been farming for 2 years and I've been trying to build up a base. During this time I stayed out of the program and was planting about 500 acres of feed grains for my livestock operation. Now, with the new cross-compliance laws into effect, I am now down to 200 acres, 40 percent of what I was growing to feed my operation. With this measure in effect, I no longer can compete.

Senator CONRAD. All right. We had a gentleman up here that wanted to make a comment. First of all, if you'd identify yourself, sir.

Mr. FISHER. I'm Alvin Fisher, and I'm a cattleman.

Senator CONRAD. All right.

Mr. FISHER. I'm a cow-calf man and I'm surpised that we hear all this talk about grain and nothing about cattle in a livestock place.

Senator CONRAD. All right. Go ahead. This is your opportunity.

Mr. FISHER. To start in they talk about high loan prices. Make high loan—grain at—high price-loan grain. No, that is not the solution, because when you're going to have high loan grain—make loan prices high for grain, you're going to have cheap cattle, because there's no way the cattle—the feedlots are going to pay high prices for this grain and buy cattle at today's prices. We are going to see the cow-calf man suffer for it, because they always back it back to us, because when they've got to pay lots for feed, they pay less for cattle. There's no way we're going to have decent cattle prices if we're going to have high-price loan prices. You're going to drive the cow-calf man out of business. These Government programs have hurt us in the past, like the dairy program has hurt us. Last spring cattle sold so cheap it wasn't funny because of the dairy program. When the PIK Program came out, cattle buyers told me, "We don't need your cattle; we get our money from the Government." So that is not the solution for it.

Senator CONRAD. All right. Thank you very much for your comments. Other questions or comments? Right up here.

Mr. LEESON. Hello! I'm Gerald Leeson. I'm chairman of the board of Farm Credit Services of Minot.

It's interesting that I've heard five times tonight talking about inequities of bases and the disastrous results of limited cross-compliance. We have just conducted a study in cooperation with the Scandia American Bank representing independent bankers that I want you gentleman before you leave to receive a copy. I believe Senator Conrad has one through Representative Dorgan. But it is affecting not only immediate cash flow; it is affecting land prices and we are getting a two-tiered land price, one based solely on Government programs and one based on productivity. However, productivity does not mean anything today. Will you please accept this copy, read it over, and I believe, Senator Conrad, your aides will be talking to you about it.

Senator **Conrad**. Thank you very much. If others would like to make a comment or ask a question, if you could work your way over to the microphone. If you're a long distance from the microphone and you think you can be heard, please go ahead. Let's——

The **Chairman**. I just might note for the record Senator Boschwitz has to go back to Minnesota tonight, but I do want to express my appreciation. He's had an enormously tight schedule all week and took the time to come here and, Rudy, I really appreciate it.

Senator **Harkin**. Thank you, Rudy.

Senator **Conrad**. Why don't we go to this gentleman up in the corner.

Voice. Yes. I have in my hand here an ad that's in the Wall Street Journal of February 6th. It says "Buy North Dakota, 4.9 percent," and it's being sold by Farm Credit Services. Now why can't Farm Credit Services give our own people 4.9 to 8-point-something percent interest? They're taking the farmland away from those people because they can't pay 11 and 12 and they're turning around and selling it through the Wall Street Journal to big investors for 4.9 percent. I'd like to hear from the man from Farm Credit Services.

Senator **Conrad**. Well, I don't think this gentleman is probably the one that we ought to put on the spot. It's not his policy. I think every one of us agrees with you; it's absolutely senseless that we have a situation in which we ask——

Voice. I'm sure there's probably nothing illegal about it; it's just not fair.

Senator **Harkin**. Can I ask you a question? Does it say "50 percent down" on that?

Voice. 30 percent. It says, "With a larger down payment, the interest will be adjusted, depending on terms, such as down payment, length of contract, type of property involved."

Senator **Harkin**. Well, again, this just gives you an idea of what's happening in terms of the farmland in America and what's happening to the foreclosed land. The Farm Credit System—if you've got a lot of money and you can give a big down payment, like 50 percent, they'll loan you the rest at 4.9 percent, you see. So the wealthier you are, the cheaper money you can get to go out and buy the farmland that they have foreclosed on the farmers. That's all you're telling us right there.

Voice. Right.

Senator **Harkin**. So there you go.

Senator **Conrad**. That's an excellent point. If you could make a copy of that available to us, we'd put it in the official record.[1]

Voice. Yes; I will.

Senator **Conrad**. Yes, sir.

Voice. Another thing, that 4.9 that's just for 3 years, just to get your foot in the door. What are you going to do after those 3 years is over with? All that's going to do is get some more farmers in trouble. That's what that's going to do.

---

[1] See p. 285 for the Wall Street Journal advertisement.

Senator **Conrad**. All right. Good point. Up here.

Mr. **Anderson**. Floyd T. Anderson. I'm a farmer from Brocket, North Dakota. I raise wheat and sunflowers and represent the Sunflower Council.

We have a situation in oil seed in this country which easily approaches the massive surplus conditions of wheat and corn. Oil seeds have not been part of the program, except for the soybean loan, which today is too high compared to the wheat and corn. The result is that the high U.S. loan is attracting foreign production and will also attract U.S. production increases. The result is that we'll be storing the additional beans and forcing the price of other U.S. oil seeds down even further than they have dropped. We have had several testimonies tonight from the sunflower farmers indicating that 5, 5-and-a-half-cent sunflowers just don't fly, and they've given up their base acreage to grow those flowers, and they're really being hurt.

With the volumes of oil seeds still being manageable right at this time, we feel that a marketing loan program would be workable, but if we wait for 2 or 3 years, after you've gotten several million more tons of soybeans in your storage bins, we don't know if there'll be anything workable. We really feel at this time something has to be done with the oil seed crops, and we'd like to see a marketing loan concept used.

Thank you.

Senator **Conrad**. Thank you very much for your comments. Over here, I believe we had another question.

Voice. I'd just like to point out that Federal Credit Services sent out that 4.9 brochure to my father, who's retired and lives in California, in another line of work, and rents his farm out. To me, if I go up there as an operating farmer, they don't even want to talk about it because my credit is not—my collateral isn't high enough.

And another point, the conservation reserve; we're paying to take the poorest land out of Burleigh County, and particularly Kidder County—the poorest land that's probably never grossed more than $50 an acre—and paying $45 an acre to take it out. With even all the good land in production, if we're going to conserve something for the future, why don't we conserve some good land?

Senator **Conrad**. Good point. Yes, ma'am.

Voice. I would like to say that as my husband and I are nearing our retirement age—he's going to be 60 in a few days.

I feel cheated because we are not getting the cost of production. We cannot afford to retire. We have to stay out on that farm and try to make a living. My parents, my in-laws, have retired at least 10 or 12 years earlier than I can even think of retiring at this time. I happened—let me back up. I didn't happen to be in Washington, D.C., last week; I was in Washington, D.C., purposely to hear the opening of the Harkin bill, and I wholeheartedly have to support that because that's the only way we're going to get a cost of production and a little bit so that I might retire at a reasonable age. My husband, Richard, and I are the fourth eldest farmers in our area. Most of them are all older than we are.

Senator **Daschle**. Thank you very much. I'd like to ask a question. Just a show of hands. How many people in this room would support a bushel-based targeted supply control program? Just a show of hands.

How many people would oppose that kind of a program?

I would say for the record—obviously, we can't—we didn't count here, but for the record, it's got to be at least 98 percent of the people in this room support a bushel-based, targeted supply control program.

VOICE. What's the price per bushel? [Laughter.]

Senator DASCHLE. Already you're getting—picky-picky, huh? [Laughter.]

Obviously, I left out a very important ingredient.

Senator CONRAD. We need to call that a technical question. [Laughter.]

VOICE. If you want a look alike, there's a man over there I would say that looks like Bryant Gumbel. [Laughter.]

Senator CONRAD. We had some more questions on this side. Yes, sir.

VOICE. Now if you went into a bushel base, you would have farmers fighting, unless you set—you'd have to set the bushels accordingly, but some of the farmers are—smaller farmers, average farmers, you'd have them fighting for more land and you'd be in that cycle again.

Senator CONRAD. All right. Right up here.

Senator HARKIN. Excuse me. Can I ask that gentleman a question?

Senator CONRAD. Go ahead.

Senator HARKIN. Why would they fight for more land if there was a marketing certificate and they couldn't market any more than what the marketing certificate allowed? What good does it do to let them have more land?

VOICE. For example, you would set a bushel quota of, oh, say 20,000 bushel per farmer, and the guy probably raises 10,000 I mean 10 or 5, or whatever—and that would increase the demand for the land to spread out more.

Senator HARKIN. Not based on past production. In fact, we've got too much production now, and what we're trying to do is cut production down, using an historical base. In fact, in the end, what we're trying to do is to factor in something for the new farmers that don't have a base, that is to cut back on production so that you wouldn't have more of a quota, you'd have less than what you have right now. The idea is to get the production under control, not to expand it even more.

Senator CONRAD. All right. Right up here.

Mr. SPITZER. My name is John Spitzer and I'm a farmer from Wilton, North Dakota. I know Kent, personally, but I'd just like to make one comment about Mrs. Schneider. This evening she talked about protein and I—she mentioned also about the poor and unequal administration of the farm bills in the past, and I wish that you'd also look into that. What the farmers need is a plain-language explanation of it, not what the lawyers send out to us.

Also, a comment about sunflowers: I farm—you might call me a multinational farmer; I also have some land in Canada, and one of the inequities that I can tell you about that is that on the sunflower problem is in this past year they've opened up imports of Canadian rapeseed and canola oil into the United States, which is one of the reasons that they're wrecking the prices of our edible oil and, believe me, those commodities are subsidized in Canada. They have numerous ways of doing it—cheap fuel, health insurance is free—I mean we could go on down the line. But we don't have time for that this evening. I can tell you about the poor administration of the farm bill and the inequities that are in that, and I've explained that to Mr. Conrad, and if there's any questions about the inequities in the past that I've found problems where that I've found that the Government owed me $10,000 in past payments because of availability of parts of the program that were not explained to us, which I found out in my own time by researching into the farm programs. Thank you.

The CHAIRMAN. Thank you. I might add that there is really no excuse for the Department not to send out a clearcut explanation. We just finished working the IRS over a little bit on the W-4 forms under our new, simplified Tax Code, and if you've gotten one of those, you'll understand the problem. You raise a good point, though, on the explanations, and I will not only have our staff work with the Department of Agriculture, but I will personally raise this with the Secretary. I have seen some of these explanations. I know I have a very difficult time figuring out what is in the programs that we've voted on when I read the explanations. Let us continue to bring some pressure there to try to bring the explanations out and make it simpler.

Senator CONRAD. A gentleman up in the corner was next.

VOICE. Thank you, Senator, and I appreciate you people coming out from Washington. There's been a couple remarks made here that come up every once in awhile. Nobody means any harm. I know we're all farmers and I know by the way you're putting it you don't mean any harm, but these gentlemen who came in from Washington trying to help us solve a problem are being perplexed more and more, because we're implementing the same one of the problems that we always do in agriculture, and we're an independent bunch of people. Now if they're going to satisfy us down there in Washington, it already looks like they're going to have to come up with about 17, 18, maybe 120 different kinds of programs so we don't hurt the cattleman and we don't hurt the farmer; one guy farms livestock, the next guy's having money-borrowing problems, which don't really relate to these people's problems. I'd like to warn you—I'm 66 going on 67—not to tell the people that I bypassed last year in Fargo, three of them, am supposed to take it easy, but like the lady said, I can't retire for the next several years; I'm going to have to keep on and hope that I can pay these people back, including Uncle Sam, who I borrowed money from to make it go, and I farmed for 48 years, and maybe I can go another 4 or 5 years. I hope so. Maybe by that time I'll make it.

But I'd like to say one thing. I'm not going to be smart. Ladies and gentleman, let's quit fighting in our country. We've come to the bottom. We've hit the bottom and let's not go down any deeper. Let's salvage this Nation and our State and our enterprise, which is agriculture, and our business, which is our relations, and let's show the world that we have come to the point that we are not now fighting amongst ourselves, which is not all roses, because these gentlemen are going to try to make some adjustments, and I think we'll come through with this if we all hang together and quit fighting ourselves. [Applause.]

Senator **Conrad**. Thank you. We've been advised that we're running late. We promised the Governor that we would be there on time. I think his wife will probably be displeased if we run any later.

If there are others out there who have a comment or a question, please submit them, we'll do the best to get you an answer, and if it's a comment, to make it part of the record.

Thank you all very, very much for coming.

The **Chairman**. Thank you very much.

[Whereupon, at 8:01 p.m., the committee recessed, to reconvene at 11 a.m., in the Omaha Livestock Exchange Building, Omaha, NE.]

EXAMINATION OF PROBLEMS AFFECTING THE FARM COMMUNITY

Farm Credit

TUESDAY, FEBRUARY 10, 1987

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Omaha, NE.

The committee met, pursuant to notice, at 11 a.m., in the Omaha Livestock Exchange Building, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present: Senators Leahy, Zorinsky, Harkin, Conrad, and Daschle.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. The Senate Committee on Agriculture, Nutrition, and Forestry will be in order.

I appreciate the opportunity to be out here. When Senator Zorinsky suggested that we should have a hearing here, there were two reasons I wanted to come. One, of course, is that Ed Zorinsky is a good friend of mine, and our offices are next door to each other. If he thought it was a good idea, I thought it was a good idea.

The second reason is that I've never been to Nebraska and I thought this would be a fine opportunity. Senator Harkin had urged me, if I was going to do that, to come over to Iowa, and this would be the first time I have been in Iowa, Tom, so—here I am in America's heartland. I have said one of the things I wanted to do when I took over as chairman of the Senate Agriculture Committee was to get the committee out of Washington, and out to the areas where we have true farm problems. I want a chance to listen, in a way that you cannot do in Washington. We had a chance to do that in a very full schedule yesterday, and again today and again tomorrow. In fact, both my wife and I and the members of the committee have been staying in farm families' homes as we go out in hopes that we really listen to the people.

We'll hear a lot from these panels today and from the witnesses, but, believe me, every single one of us has heard even more from our hosts last evening because there were not the inhibitions of a record or the structure of a committee.

I want to talk about credit today. Obviously, it's the fuel that drives America's agriculture. I can't imagine any commercial farmers that do not need credit to be able to do business. They've got to have short-term money to put their crops into the ground, to buy their livestock. They need long-term loans to buy and improve their land and their buildings. But the lack of this vital fuel is the inability to find and repay credit. And that has forced more of our farmers to pull the plug than at any time since the Great Depression. During the past 6 years more than 200,000 farmers have left the land. Not all were family farmers driven out by credit and other money problems but many of them were; far too many.

Let me give you some of the statistics. In 1986 we lost 5 to 6 percent of our farms. At the beginning of the decade, it was 2 percent. We've almost tripled the rate at which we're losing them. Farm assets declined from over $1 trillion in 1981 to an estimated $700 billion in 1986. But farm debt, what farmers owed all lenders, did not drop. Now these are the cumulative dollar losses. But the statistics don't tell about the real pain that farmers and their spouses and children here in Nebraska and across the border in Iowa and every other State in this farm dependent region are feeling every single day; those who've already lost their farms as well as those who are desperately trying to save them.

Or like the couple in the home that my wife and I stayed at last night—good farmers, hard working farmers, people whom any State would be proud to have as farmers. But they look at the next generation, they look at their son who cannot follow on the farm with them because there's not enough money. They can't afford to keep him on. They can't afford even to turn their farm over to him, and there's no hope for him; a young man who has grown up on the farm, who has learned far more about that than anybody could ever learn in school or anywhere else. But that farm in all likelihood will stop with that generation. Their problems are the problems of us all. If loans go unpaid, banks go under. It would take even more of the local economy with them. There are very real domino theories being played out here right in the heartland of the United States.

At the same time, commercial credit is becoming harder to find. The administration is pursuing a policy, I feel, that abandons its responsibilities to provide help through the Farmers Home Administration. We heard an awful lot about that in the last day.

Now, your most important lending source, the Farm Credit System, which holds nearly a third of all farm debt, has deep difficulties of its own.

We passed two consecutive laws in 1985 and 1986 to help the System get its house in order. We may have to decide on a multibillion dollar bailout bill. So the farm credit crisis remains, and I appreciate the fact that you have come here today so that we can hear you.

I also appreciate the invitation from my good friend, Ed Zorinsky, to come out here. I must admit that he has upstaged me terribly. I expected the weather to be very similar to Vermont. It was 20 below zero in Vermont this morning. I think Ed rubbed it in a little bit when he arrived at the airport wearing a short-sleeved shirt and shorts to greet me, but I'm just glad that our bet on the relative weather was as small as it was.

I'll turn it over to Senator Zorinsky.

STATEMENT OF HON. EDWARD ZORINSKY, A U.S. SENATOR FROM NEBRASKA

Senator ZORINSKY. Thank you, Mr. Chairman. It's a pleasure and an honor to have you as our guest in the State of Nebraska and quite obviously right now we're recruiting some Florida football players, so I think the coach asked the good Lord to provide a little down home type weather for them.

It's good to know that you're concerned about agriculture in the Midwest. Your tacit admission of never having been in the State of Iowa indicates to me that you're serious about being chairman of the Agriculture Committee rather than President of the United States. [Applause.]

The CHAIRMAN. I want everybody to notice I came to Nebraska first.

Senator ZORINSKY. I thank Senator Leahy for convening this hearing of the Senate Committee on Agriculture, Nutrition, and Forestry on the issue of farm credit. I also welcome my other colleagues on the Agriculture Committee who are here and all of you for attending today's hearing.

This hearing is one of several of the Senate Agriculture Committee that will be held this year on various agricultural concerns throughout the country.

Agricultural credit is a particularly relevant topic for discussion in Nebraska because of the declining land values, and the high interest rates, and the lack of credit availability, and the consequent struggle by farmers to maintain viable operations. Because total farm assets in Nebraska have declined by $18.2 billion since 1981, farmers in this State have seen their average debt-to-asset ratio increase to 34.4 percent. This has resulted in the loss of, approximately, 8,000 farms since 1981, and the farm losses for 1987 and beyond will be much greater unless we take corrective steps to stabilize the agricultural economy. Agricultural-related businesses, first in rural communities and now in Omaha and Lincoln, are experiencing what today has only been called a farm crisis. This financial disease has already spread beyond the farm gate. In 1985 Nebraska had 99 agricultural business failures. Overall, the State experienced a 358-percent increase in failed businesses in 1985 compared to the previous year.

Urban areas are, obviously, not immune from the adverse effects of a poor farm economy. Farmers and supporting agribusinesses on the debit side of the ledger are not without company on the credit side. Agricultural lenders as well as borrowers are facing fundamental structural changes because of financial crisis and stress. Farm Credit Services in the Omaha district lost $510 million in 1985 and another $276 million through the first three quarters of 1986. Of the $5 billion in loans outstanding, the district had $1.2 billion classified as nonaccrual loans as of September 30, 1986. The Omaha district also has acquired, approximately, 850 farms.

Private banks in Nebraska are also suffering from the weak farm economy. Since July 1983, 22 banks have failed in this State.

Farmers Home Administration in Nebraska has made some improvements in its financial situation over the last year, but with over 40 percent of operating loans and over 30 percent of farm ownership loans delinquent, it's difficult to be optimistic about their status. And, of course, most all of these credit problems would disappear if the bottom line said we had higher commodity prices. [Applause.]

As chairman of the Senate Agricultural Subcommittee on Agricultural Production and Stabilization of Prices, you have my pledge that I'll do everything in my capacity to raise those prices that farmers receive for their labors.

Senator Leahy, I really congratulate you for taking the time out of your schedule together with my colleagues who are here, who I'm sure during a recess of this nature, would have personal issues they could attend to or other things to do but to recognize the plight of the Midwest and the agricultural industries that we have in Nebraska to be here today to listen to the people of my State and the surrounding area voice their concerns and testify here, and I thank you ever so much for being here.

The CHAIRMAN. Well, Ed, I thank you for the welcome and I'm delighted we can come out and do it. It will be my policy as chairman to get the committee out of Washington on a continual basis to all parts of the country. I'm just glad that I made the decision to save Vermont for last and come out here first. We'll probably have you in Vermont in July. The weather will be about the same as it is here. We have 10 months of winter and 2 months of poor sledding back home. When the regional Chamber of Commerce hears me use that old line again, I will be glad I have a 6-year term ahead of me.

But the committee, just so you all understand how we do this, under the U.S. Senate rules can meet wherever it wants to meet, and when it does, it meets as a full committee of the U.S. Senate under the same rules. All testimony presented here today will become part of the testimony before the U.S. Senate as if it had been given in one of the hearing rooms in Washington. We'll go by the same rules. I would remind everybody that for purposes of this hearing you are guests of the Senate. There may be conflicting views presented both in the question and answer period and in the testimony. I would ask the audience to restrain from any disruptive expressions of its views or opinions. We want to hear all of the opinions that may be presented. Each witness will, by our rules, be limited to 5 minutes of verbal testimony. A little red light will go on when the time is up. But their entire written statement will be placed in the record. Then it will be open for questions from the panel.

I should introduce the Senators. I keep forgetting the Midwest is a lot larger than New England. In New England, we all know where everybody is.

We have Tom Daschle, Senator from South Dakota, Kent Conrad, the new Senator from North Dakota, and the invisible person on the end here is Senator Harkin who is out returning a call for me. He'll be right back. Senator Harkin is from Iowa.

Now we'll go through the panel: It will be James Kirk, the president and CEO of the Farm Credit Services in the Omaha district, and then William Brandt, the president of First National Bank of Unadilla, and the American Bank of Burr; then Gene Severens, staff attorney, Center for Rural Affairs, in Walthill, Nebraska.

We'll hear from all three of them and then ask questions of our first panel, then go to the second panel. So, Mr. Kirk, feel free——

Mr. KIRK. Can you hear me?

The CHAIRMAN. Go ahead.

STATEMENT OF JAMES KIRK, PRESIDENT AND CHIEF EXECUTIVE OFFICER, FARM CREDIT SERVICES, OMAHA DISTRICT

Mr. KIRK. I would like to say that one of the first changes we made at the Farm Credit Services in Omaha is we brought the good California weather with us, Senators, and I'm from California for those of you who don't know.

It is my pleasure to be here and to have the opportunity to provide a statement on behalf of the Omaha Farm Credit District. It is my hope that you will receive today a balanced, unpartisan reading of agricultural credit conditions in this area.

The severity of our problems, as a district and as a System, is a result of law which limits our diversification as a lender. Therefore, our profitability is tied directly to the farm economy. Also, some of our problems have resulted from past lending and funding policies which have failed. The Senate Agriculture Committee and your counterparts in the House are knowledgeable about the problems of the Farm Credit System. You have twice in the past 2 years passed key pieces of legislation aimed at supporting the System. I will not, therefore, belabor the reasons for our current situation at this time but instead concentrate my remarks on what this district is doing to work through the current situation and return our operations to profitability.

Our priorities are, first and foremost, to be a viable financial institution. To do this, we have to reduce our level of nonearning assets which are presently close to 29 percent of our total loan portfolio.

Second, we have to return to profitability. This will involve developing flexible, innovative, and competitive credit packages for the farmers, ranchers, and cooperatives in our district, rebuilding our borrower base, and improving our credit delivery system. In the process, we must also reduce operating costs, which are at unacceptable levels based on our current loan volume. We know our agenda. We know our time and budget constraints. We are committed to accomplishing these tasks and expect to see significant results during 1987. While we intend to be very proactive, the degree of positive results will depend to a large extent on the current and future Government farm programs.

Our number one priority, continued viability, has to involve reducing the burden of carrying our nonearning assets. We are putting plans in place to reduce nonearning assets from about 29 percent of our total portfolio to a smaller percent of our total portfolio by the end of 1987. These nonearning assets include $1 billion of nonaccruing loans, and $200 million of acquired property.

The key to dealing with our nonaccruing loans is restructuring. This will be our primary tool for which we will return a portion of these loans to an accruing status. Although we recognize that we will not be able to restructure all of the nonaccruing loans in the district, we will be flexible and creative in restructuring debt as good business practices allow. We intend to work with borrowers who can demonstrate their ability to return to financial viability. It is beneficial to both the borrower and the bank to avoid lengthy, complex, and expensive legal actions.

At the same time, we will be moving aggressively to sell the acquired property now in our inventory. It is neither the banks' objective nor their policy to own land. Our job is to provide ag credit. We wish to return the ownerhship of the land to the hands of the farmers and ranchers in this district as quickly as possible.

In our attempt to sell acquired property, we recognize the need to protect the market from further land price erosion. Land values in many areas are now near levels where operators can produce positive cash flow. We attribute the slower declines in land values during 1986 to a combination of factors which include stable current farm income due to the Government farm program, more prospective buyers ready to commit their capital to land purchases, and the extent of value declines already incurred. Our objective is to use creative financing options to encourage land sales at current market values. We feel that our programs will help stabilize land values rather than force additional declines.

In order to accomplish this huge task, all resources of the Eighth Farm Credit District, as well as the resources of the Farm Credit System Capital Corporation, will be turned toward this task. Although we will take an aggressive posture on these issues, our success is dependent upon the continuation of Government support programs. On the whole, there is more cash available in the country than there was in 1985. This is evident from the decline in delinquency on land loan payments so far in 1987. This activity indicates that more cash is available to farmers now than in the past. I trust that any changes you may consider to the current farm programs will take into consideration our ability to restructure troubled loans and return acquired property to viable farm operators.

In summary, I would like to note that Farm Credit Services is taking a very aggressive approach to solving our problems using our own reserves. If we cannot successfully address those problems internally, it is possible that, for the System to return to long-term profitability, Government help may be needed. Before that could happen, Congress, the administration, and our regulatory agency would have to be sure that the System is positioned to be viable and profitable in the long run. This district, as well as other parts of the System, is committed to achieving a business plan to ensure long-term viability and is aggressively pursuing it. We firmly believe that the Farm Credit System exists for a reason that is just as valid today as when Congress created it 70 years ago; American agriculture needs a dependable source of credit whatever the business cycle or the economic conditions may be. Our long-term profitability is the best guarantee that agriculture will continue to have a constant supply of debt capital today and tomorrow. Thank you.

The CHAIRMAN. Thank you.

Our next witness will be William Brandt, the president of First National Bank of Unadilla, and American Bank of Burr.

STATEMENT OF WILLIAM BRANDT, PRESIDENT, FIRST NATIONAL BANK OF UNADILLA AND THE AMERICAN BANK OF BURR

Mr. **Brandt**. Thank you, Senator Leahy, and members of the committee.

My name is William Brandt, and I am the president of the First National Bank of Unadilla, and of the American Bank of Burr. I am also interested in some farm and livestock operations and, in addition, I am the general counsel of the Nebraska Bankers Association. I would thank you for this opportunity to present a number of issues which we feel are of vital importance to the banking and, consequently, farming industry of Nebraska.

I noted with interest the comments of Senator Zorinsky relative to the losses that have occurred in the past few years, and our industry is not without these losses in the form of direct loan chargeoffs, which most of them have been attributed directly to farm and small business losses. We all know that this is not a productive contribution; however, it is testimony to the concerns that we have relative to the continued viability of the banking industry. Let me say without equivocation that our path must not become rockier, it is absolutely imperative that obstacles to recovery be removed and that once again integrity be returned to the concept of the contractual obligations of the solemn promise to pay in monies worth for the consideration advances on every loan.

Let me advise, Senator Zorinsky, that because of your amendment to section 1324 of the Food Security Act of 1985, which gave rise and assistance to our UCC 9-307 lien, that we are now actively engaged in central indexing as opposed to a central notification alternative and providing authority for our lien and, as such, we think conservatively that we have saved between $5 and $10 million a year for the Nebraska agricultural industry in the form of nonrequired loan service charges.

We understand that there is an effort at the Federal level to provide for forced mediation of farm loan disputes. Banks have been using mediation for years and the forcing of a nonlevel playing field could have a disastrous effect to your State's and our State's farm economy. Forced mediation would be terribly expensive and would eliminate the bargaining powers of the lender and provide an escape alternative for the borrower over which the lender would have no control, and I refer to the availability of chapter 12 family farm bankruptcies and the incumbent problems which it has created. The cramdown provisions without an alternative for recoupment, the watering of the traditional adequate protection concept is turning this procedure into a terribly expensive nightmare. Unfortunately, every time a loss occurs, whether it be time, depreciation or an outright dissipation of funds, someone has to pay for it, and that someone is the public.

Nebraska has led the way and provided in our State law a provision for financial institutions to amortize their loan losses over 5 years. This is completely reasonable, as other types of deferred expenses are never chargeable in their entirety at the inception, such as the multiyear bond premiums and other insurance. Unfortunately, the regulators have not seen fit to bring about a uniformity of application of this principle which we think is an absolute necessity to the orderly resolve of the stresses that have been created in our industry.

Nebraska has become a State with literally millions of dollars in Farmers Home Administration guaranteed loans held in bank portfolios. There is an increasing concern that further deterioration of the farm economy, whether artificial or weather driven, could cause a vast number of these loans to mature. We need assurances that these guarantees will be honored in the spirit under which they were created and that payment delays because of minor technical arguments be eliminated.

Let me describe an example that apparently today is without solution. A recent directive from the Farmers Home Administration in Washington has said in relation to an FmHA guaranteed loan, that a chapter 12 cramdown would not trigger a loss payment under the guarantee because there has been no liquidation. This is true in a chapter 11 cramdown of collateral value, where the creditor is entitled to recoupment should any occur to the bankrupt during the subsequent years of a workout plan. It is not true nor characteristic of a result of a chapter 12 cramdown which, according to many writers on the subject, determines the final right of the debtor and creditor as of the date of the approval of the plan and that there can be no recoupment on the part of the creditor in subsequent years, notwithstanding the ultimate success of the debtor in complying with the plan. If this be the case, there should be no question but what a loss is identifiable and partially liquidated and should be addressed by a partial settlement under the guarantee. To date this question is unresolved with the Farmers Home Administration steadfastly adhering to the original interpretation as applied to chapter 11 reorganizations. This alone, if not corrected forthwith, can cast a shadow upon the whole guarantee program from which it will be extremely difficult to reinstill the confidence level presently held by Nebraska bankers.

It is obvious that these problems can only be solved through upfront prompt attention and dissemination of results acceptable to all.

On the brighter side, the FDIC/FmHA guarantee pilot program instituted in Gering, Nebraska, whereby certain lines of credit are discounted and reguaranteed and then sold back into the financial industry is showing signs of viability. It has been expanded into Kansas and will receive the Nebraska Bankers Association's full cooperation in providing educational forums and other assistance in implementation. It is a high priority essential that as many of these farmers that were doing business with failed institutions be returned to their status as a family farmer as soon as possible.

We have one additional item that we feel is very important and that is that there can be no recovery without the ability to fund the vast amount of real estate that will necessarily come for sale during this period. Secondary market availability to bankers on a wide and nondiscriminatory basis is an absolute essential not only because of the requirement that competition be maintained at the marketplace, but in the requirement of simple economics of having funds available. Our experiments in the past in attempting to piggyback the Farm Credit System have failed, and that System in itself has demonstrated many deficiencies to which there have been no adequate answers. We would, therefore, urge an immediate and high priority attention to the creation of the availability of the secondary market to Midwest agricultural bankers.

I thank you again for the opportunity to present some of the items of concern. I would be very pleased to answer any questions you might have.

The CHAIRMAN. Thank you very much.

I don't want to cut into the next panel nor the hearing we will have in Iowa later this afternoon, so I will have to push even harder for the 5-minute rule.

Gene Severens, the staff attorney, the Center for Rural Affairs.

STATEMENT OF EUGENE SEVERENS, CENTER FOR RURAL AFFAIRS, WALTHILL, NE

Mr. SEVERENS. Thank, you, Senator Leahy, and welcome to Nebraska.

My name is Gene Severens. I work with the Center for Rural Affairs in Walthill, Nebraska. The Center was formed in 1973 by rural Nebraskans concerned about the role of public policy in the decline of family farms and rural communities. The Center is a nonprofit, unaffiliated organization, and its staff of 14 is governed by a 19-member board of directors.

Senator Leahy, my testimony will focus primarily on the availability of long-term credit. It looks to the future of rebuilding of the family farm system of agriculture.

I will skip a little bit of my testimony to expedite the 5 minutes and hope, however, that you'll have a chance to review the entire testimony.[1]

The historic public purpose for direct Federal intervention in the distribution of agricultural credit has always been to extend the availability of credit to farmers and ranchers who otherwise would not be able to obtain credit to start up or rebuild family-sized farms and ranches. This historic purpose can be seen in the original creation of the Federal Land Bank Association earlier in the century and in the Farmers Home Administration and its predecessor agencies. It is worth noting that these efforts were launched in times of financial turmoil, and all began as programs to facilitate the purchase of farm land. Other secondary public purposes in the realm of agricultural credit were added later. For example, the provision of operating credit did not become a regular part of Federal programs until the 1940's; natural disaster emergency lending was added to FmHA off and on in the 1950's, and lending for economic emergencies was only made briefly available in the late 1950's, and then again in 1979 and 1982.

I think the history of these different public purposes is revealing and contains a valuable public policy lesson for the situation we now face. Without going through a historical blow-by-blow account, our analysis of FmHA's farm loan program shows a remarkably simple trend. The earlier public programs have proven to be the sounder and more effective. For example, the more recently established emergency programs have been costly, subject to abuse and corruption, and now plague the agency with astronomical loan losses and serve as excuses for discrediting the agency's legitimate, well-proven programs.

---

[1] See p. 286 for the prepared statement of Mr. Severens.

By contrast, modest farm purchase loans through FmHA's farm ownership program have been as sound and effective as the emergency programs have been troublesome and costly. The basic FO approach started with the Bankhead-Jones Act of the Depression years and has been the workhorse of Federal farm credit programs for decades. Loans were limited by low loan ceilings which capped the amount any individual could borrow and were available only to operations in which the family members provided the bulk of the farm's labor.

The soundness of this basic approach is revealed not only in the countless numbers of farming opportunities created for efficient family-sized operations, but in the comparatively low delinquency rate the program has maintained even in today's troubled environment. The Government loans are fully secured by the land purchased with the loan and usually involves much lower risk for the Government in the event of default.

So what does this have to do with today's crisis? The lessons of the past can be used to create sounder long-term responses and avoid the pitfalls of past policies. We think the simple approach of modest farm purchase loans, if anything, makes even more sense now than it has in the past because we are moving into the second stage of the farm crisis, the rebuilding stage. Second-stage farm financing programs will determine which operators will be able to participate in the rebuilding of their farms.

At the same time, farm land is being acquired by lenders through foreclosure and voluntary conveyance and accumulating in lenders' inventories. This inventory hangs over land markets depressing prices. As we move into the rebuilding stage, it is important to develop Government programs which help assure the orderly sale of that farm land while using these sales to advance well-conceived family farm rebuilding goals. We recommend, Senator Leahy, consideration of a Federal program which uses modest-sized farm land purchases, similar to FmHA's successful FO program, as a device to sell down lenders' inventory farm land.

Now, I would like to explain how this concept might be applied to the Farm Credit System. A federally facilitated farm land purchase plan, modeled after FmHA's long-proven direct FO loan program, could be designed to serve a number of pressing public purposes. The Farm Credit System, according to most reports, is in need of an emergency infusion of funds. If Congress is inclined to respond favorably to this need, what better way to provide that infusion than by providing FO-type direct loans to eligible borrowers to purchase family-sized farms from the FCS inventory which contains now about $1.2 billion in acquired property as of last September.

This approach would serve a number of public purposes. First, it would provide an infusion of funds to the Farm Credit System. While probably not enough to respond to the total potential loan losses faced by the System, this farmer loan mechanism has a number of advantages over other methods of bailing out the System. Unlike a direct Federal transfusion at the top of the

System, this approach starts at the bottom with a family farm loan and percolates up through the System. The funds would automatically be targeted to local associations and district banks facing the biggest loan losses since those associations would probably have the largest inventories and sell the most farm land under this approach.

Second, the plan would create new farming opportunities and usher in the rebuilding phase of the farm crisis. This plan would serve the longstanding public purpose of providing new farming opportunities for new operators and for current operations to rebuild back to efficient family-sized farms.

Moving briefly down through the points, the third obvious point is the plan would help stabilize land prices.

The fourth one, the public investment is safer since it is not a direct investment in the uncertain future of the Farm Credit System, but an investment in and fully secured by farm land that is now being sold at prices that are more in line with the land's earning power. I think this approach could also be applied to the lender inventories of commercial banks and, also, insurance companies.

The last point that I would like to make deals specifically with Farmers Home inventory sales. You can see on pages four and five, a description of a particular problem that I would like to draw to the committee's attention. The problem is important because if you'll look in the appendix items I have included, there's a couple of ads, photocopies of ads, for sale. Farmers Home is beginning to sell land in Nebraska now. The one ad, the small ad to the right, was in the Sunday World-Herald. The other ad was in the Midwest Messenger. Farmers Home is beginning to sell its inventory in Nebraska. We understand they have started now with 18 farms. This is the first batch to go on the market. None of the land, by our reports, is being made available to FmHA eligible borrowers. It is all being sold on the open market to the highest bidder, the highest cash bidder. This is in direct contrast or contrary to section 1314 of the 1985 farm bill which gives a specific preference to FmHA-type borrowers and provides for FmHA financing of these land sales.

The CHAIRMAN. That leads right into my first question. You said in your testimony that there is this difference between the early emergency programs and today; that they are not fulfilling the purpose they were intended for originally. When did that change occur?

Mr. SEVERENS. Sir, I think that change came in about the late 1970's when Congress instituted the economic emergency program. The changes began before then. The natural disaster loans were, perhaps, one, abused programs in Farmers Home's programs because they dispensed with the family-size farm requirement and had absolutely no loan ceiling whatsoever, so you had half a million dollar loans, million dollar loans made to many farm operations on the West Coast and other parts of the country. Some of that has been brought under control by the 1985 farm bill but there has always been this tendency to be not the lender of last resort for every farm in America, something that's just simply an untenable position.

The **Chairman**. Is it your understanding that they were supposed to have been a lender of last resort for family farms?

Mr. **Severens**. Well, that's what the Farmers Home is referred to. I think Farmers Home's goal originally is a very modest one. I think a modest goal is what we need to pare it back down, and that modest goal holds a germ of a vision for this rebuilding stage. I know it's not popular to praise Farmers Home, perhaps, at this point in time and nobody has been more of a critic of Farmers Home than the Center for Rural Affairs; however I think the Farmers Home Administration and the public purpose that it was intended to serve is a viable one and it is critically needed at this juncture in a farm crisis when we're going to be seeing land going for sale.

The **Chairman**. Taking just the Nebraska area, do you see the Farmers Home Administration fulfilling its historic role? Do you see it working toward its role of being a lender of last resort?

Mr. **Severens**. No. The example that I have in my testimony on page four shows that the Farmers Home Administration is thwarting congressional purposes, at least in the sale of its inventory land. It wants to simply unload the land to the highest bidder. It's not the least bit interested in seeing the sale of its inventory land as an opportunity to create family farm lending opportunities.

The **Chairman**. The example is a fascinating one and will be part of the record. You say they are thwarting the congressional intent. Do you feel that this is a regular policy, a determined policy on the part of Farmers Home to move away from what was a clear congressional directive?

Mr. **Severens**. As to this particular point, absolutely, yes. In fact, the evidence is very clear. On page four, I cite a regulation, a proposed regulation from the Federal Register. They're proposing to change the amount of time period, from 3 years to 1 year, during which they are required to sell the land to Farmers Home eligible borrowers. Currently—and this is a statute, Senator—they're supposed to wait 3 years before they can sell the land, that's what they call surplus land on the open market. So for a 3-year period the Farmers Home borrower gets first crack at it. They have now administered—administrators are trying to change that 3 years to 1 year. Either they've found some remarkable loophole or they're, you know, intentionally illegal. At any point, they're undermining, I think, the Government purpose because the land in the Midwest, Senator, has been under a land sale moratorium for at least 2 years. So the land in the inventory right now—if you only have 1 year that you'd sell it to Farmers Home-type borrowers, that year has already expired by virtue of the fact the land has been on freeze for 2 years, so I think they're just going to move their inventory land, which is the second largest lenders' inventory in the country after the Farm Credit System, right out of the old market and completely bypass the very clearly identified public purpose which this agriculture committee inserted into the farm bill of 1985.

The **Chairman**. I appreciate those comments because I have some very grave concerns about the direction Farmers Home is going. They're going to hear those concerns. They're going to hear them in great detail. We certainly heard this in North Dakota. I'm hearing them in a number of other parts of the country. I suspect that at the oversight hearing for Farmers Home, they will hear specifically what congressional intent is. They'll also find that this Member of Congress, at least, intends to follow up and make sure they are following congressional intent.

Mr. Kirk, do you see the need for Federal assistance for the FCS and, if so, when and how?

Mr. KIRK. We think there is a possibility of a need for Federal assistance. The System is in the process of reviewing the business plans of each district and we are trying to determine if there is a need now and that will probably—we'll be discussing that in the next few months.

The CHAIRMAN. Well, some people say that the FCS is a collection agency for farm debt rather than a helpful resource for farmers. Is that a valid criticism? Is it an honest criticism?

Mr. KIRK. I don't think it is.

The CHAIRMAN. Have you heard that impression?

Mr. KIRK. No, I haven't. I am sorry.

The CHAIRMAN. We're going to hear from a witness today who lost his stock and a very large personal investment when the Valentine-O'Neill Production Credit Association failed a couple of years ago.

Is there anything that can or should be done to protect stockholders in situations like that?

Mr. KIRK. In liquidation, there's very little that we can do to protect stockholder investments. And in the case of the Valentine-O'Neill, the decision was made to liquidate that particular PCA, and there's very little that we can do to protect stockholder investment in those cases. Now, we're not planning at this point, liquidations of land bank associations or PCA's in this district. We are doing everything within our power to fulfill the business plan that was put together by our district last fall and we think that the land bank—and that's the one that's in real serious financial trouble in this district—will return to viability in the near future.

The CHAIRMAN. My last question is to Mr. Brandt. Tell me how the establishment of a secondary market is going to help keep farmers in business.

Mr. BRANDT. Senator, the present environment of lending involves a relatively small percentage of the funds available in Nebraska banks going to the establishment of loans for the purchase of farms, family farms, and like long-term real estate loans. The establishment of a secondary market would not only enhance the competition for this type of loan but it would make available large sums of money that are now within the capital structure of Nebraska banks for this particular purpose.

The CHAIRMAN. Thank you.

Senator Zorinsky.

Senator ZORINSKY. Thank you, Mr. Chairman.

Mr. Kirk, I would like to ask you the following questions. The Federal Land Bank of Omaha—and I might preface that by saying last year we gave the Farm Credit System the authority in what I termed the initiative of being able to keep two sets of books. One, the former accounting system and, secondly, a new accounting system allowing you to write off losses over a period of 20 years, and being able to use other accepted accounting principles in order to base the viability of a system upon, feeling that that would then create either the illusion or the semblance of a greater degree of credibility in the System itself by not really having to declare the true financial severe stress and problems that confront the Farm Credit System.

I would just like to ask you this question. The Federal Land Bank of Omaha is continuing to issue and redeem members' stock at par value, $5 per share, even though the value at year end was $4.15 a share, as determined in accordance with generally accepted accounting principles. Do borrower members understand that they would receive less than par value if liquidation of the Omaha Farm Loan Bank were ever to occur? And, more generally, what sort of a disclosure is made to the members about district actions taken subsequent to the new accounting rule?

Mr. KIRK. Notice has gone out to all of our members, our directors and employees regarding the issues that you're talking about, that our stock is impaired on a GAAP basis; however, using the new regulatory accounting principles that were part of the 1986 amendments, we're allowed to continue to redeem the land bank stock on a par value basis at this time. That was passed by our board of directors approximately 3 weeks ago.

We have disclosed to our members through the Farm Credit News, we're disclosing to new borrowers at the time we grant the loans that the stock is impaired on a generally accepted accounting basis, but it is our intention at this point to continue to redeem stock by using RAP accounting.

Senator ZORINSKY. Well, I'm informed that if the land bank liquidation in Omaha, wherever it would occur, that stock would be worth less than 50 percent of what the members felt they had it in, and I'm just concerned that we continue to keep open accounting with regard to the true worth of stock rather than trying to, in my estimation, create a rosier picture than what actually exists.

Congress has encouraged the Farm Credit System to exercise a policy of forbearance in collecting debts from farmer borrowers. What percentage of borrower requests for forbearance are denied or do you have that figure?

Mr. KIRK. I would like to think that we do not deny any reasonable request for forbearance. The program that I discussed in my formal comments has been in the planning stages for the last 2 weeks. It's in the process of being implemented today. It's going to be presented to the board of directors next week, and we are going to aggressively pursue forbearance and restructuring in handling the nonperforming loans in our portfolio as well as those loans that are just barely—those farmers and ranchers that are just barely hanging on by their fingertips. We are going to use our reserves, to the the best of our ability, to restructure debt and put it on the basis of which the farmers can repay the debt.

Senator ZORINSKY. Well, the Federal Land Bank of Omaha has a new loan program which offers eligible borrowers a 5-year fixed interest rate of 9 percent for new loans to purchase land. While this loan program may prove successful in encouraging land purchases and ultimately stabilizing the land value, I continue to be concerned about interest rate pressures on existing borrowers. Do you have any plans to provide interest rate relief for your present borrowers?

Mr. **Kirk**. We are currently in the process of reviewing the entire pricing policies of this district, both in the land bank and in the PCA, and we'll be coming forward to our board with recommendations. And, hopefully, based upon those recommendations, we will be able to do some additional things in the form of interest rate relief. This is probably the easiest form of restructuring that we can use. It does not require a lot of additional forms and attorney involvement, new documentation, and we are going to be implementing programs along the lines of lowering some interest rates in those cases where it makes sense.

Senator **Zorinsky**. The Chairman and I helped support and were successful in passing the 1985 farm bill—together, I think, with Senator Harkin also—the containment of the interest rate buy-down provision that gives borrowers of the Farmers Home Administration guaranteed loans and interest rate reduction of up to 4 percent with the Federal Government matching the write-down of the lender. In how many cases has the Omaha district been willing to use this program to help existing farmers?

Mr. **Kirk**. I don't know the answer to that. I can get the answer for you. I'm sorry I don't. It would be to our advantage to be involved in any interest rate buy-down program that would benefit our members, so I hope we have used the program. I don't know the answer to your question though.

Senator **Zorinsky**. We just felt—and the testimony we received during the 1985 farm bill—that this would really give a viable alternative and certainly a boost to the farmers that needed to recapture cash flow with regard to a buy-down at 4 percent with the Federal Government matching, and from what I've heard, it has not been used extensively at all and, if not, could you let us know why not when you do your analysis.

Mr. **Kirk**. Right. I'll try and get back to you, Senator.

The program that's been used in Iowa, that Iowa State has used, we have taken advantage of that program. I understand it's a good program and from what I'm gathering here, this program that you're talking about is very similar. I reiterate, any buy-down of interest rates would be to the advantage of our membership, we would be more than happy to participate, and I hope that we have participated in the past. I'll find out to the extent to which we have participated.

Senator **Zorinsky**. Thank you, Mr. Chairman.

The **Chairman**. Thank you.

Just one question I forgot to ask before I go to Senator Harkin, and I would ask it of Mr. Kirk. Is there going to be enough money in Nebraska for spring planting this year?

Mr. **Kirk**. As far as the Farm Credit System in this district is concerned, we have adequate funds available to loan to our customers. No, there's not a shortage of funds within the Farm Credit System.

The **Chairman**. Thank you.

Senator Harkin.

Senator **Harkin**. Thank you, Mr. Chairman.

Mr. Kirk, it is one thing to have sufficient funds available but I would like to know what you're talking about in terms of operating loans. What rate will those operating loans be made at?

Mr. KIRK. Interest rate?

Senator HARKIN. Yes.

Mr. KIRK. It varies from case to case, depending upon the credit quality of the particular applicant. I am not sure of the exact range of the spread as far as the interest rate is concerned. I believe it's probably in the area of between 10 and 12 percent.

Senator HARKIN. So you're saying credit is available for spring planting to farmers in Iowa and Nebraska, anywhere from 10 to 12 percent, depending—

Mr. KIRK. Yes, sir, I think those numbers are close.

Senator HARKIN. I, first of all, want to say that after reading your testimony and listening to it, what you said on page four about trusting that any changes to the current farm program will take into consideration FCS's ability to restructure troubled loans and return acquired property to viable farm operators makes me happy. That's an excellent statement and hope that's what we do when we start changing the 1985 farm bill. I hope we make sure that this land is returned to viable farm operators which leads me—and I congratulate you far saying that—which leads me again to my second question. Senator Zorinsky just asked you a question.

Did I hear you, Senator Zorinsky, say that they had farm ownership loans available at 5 percent in the Omaha district? Did I hear that correctly?

Senator ZORINSKY. No, I was talking about the write-down.

Mr. KIRK. No, I think he said nine.

Senator HARKIN. Pardon?

Mr. KIRK. Was that at 9 percent?

Senator HARKIN. Do you have farm ownership loans available?

Mr. KIRK. Yes, we do, for new land loans, we have a 9 percent interest rate, fixed for 5 years.

Senator HARKIN. Oh, a 9 percent for 5 years. I am sorry, I just misunderstood you. You had me a little panicked there because I have this ad here from some magazine. Maybe you've seen it. It says, "Buy North Dakota." I picked this up yesterday in case anybody wants to buy your State, Senator Conrad. The ad reads, "Buy North Dakota. North Dakota is fertile prairie soil, and abundant fish and game tracts, from Missouri walleyes to migrating Canadian geese. Now it can be yours, financed at 4.9 percent, plus the lowest property values. Property values are lowest in years. Don't miss this opportunity to get a piece of North Dakota at a great price and with interest rates you haven't seen in years. Call today." This is the St. Paul Farm Credit Services.

Mr. KIRK. Yes.

Senator HARKIN. You don't have anything like that, do you?

Mr. KIRK. Well, we don't have a program exactly like that in place. We are planning to, as I mentioned earlier, aggressively market the acquired properties. We would like to market those properties to family ranchers and farmers. I will also add, however, that we do not have the resources to be able to carry this land in our portfolio for an extended period of time; therefore, we are going to offer some attractive terms. Hopefully, ranchers and farmers can buy the land from us; that is the preferred avenue for us. But, however, if someone else were to come along, particularly on very, very large parcels, we may not have an option but to sell to someone else.

Senator **Harkin**. Well see, I'm all for trying to get that land back to viable operators. That was part of the provision that Senator Zorinsky talked about in terms of write-downs and everything else.

The problem with this 4.9-percent rate is you have to have a 50-percent downpayment. I don't know any viable farm operators that have a 50-percent downpayment so, obviously, this land is being sold to someone else at a great rate. In other words, if you got a bundle of money someplace, if you're sitting in New York City and you're an investment banker, or in Los Angeles or Phoenix, or Dallas or wherever it might be, you can buy North Dakota at a pretty good price if you've got a 50 percent downpayment. But if you're a viable farm operator, somebody who wants to live on that land and wants to farm it and you don't have the 50 percent downpayment to pick it up, then you don't get those kind of rates. I find that very disturbing, especially when our bank here is in such trouble. We have a sister bank, or a brother bank, as the case may be, offering these loans at 4.9 percent. That troubles me greatly and I think that that's just flying in the face of what we in Congress have tried to get at, namely to get this land back to viable operators, and that's what you've indicated in your testimony. I find that very disturbing.

Let me just ask a couple of other questions if I could, Mr. Chairman.

Mr. Kirk, how much land do you have in your inventory? Do you have any idea right now?

Mr. **Kirk**. We have approximately 400,000 acres, I believe.

Senator **Harkin**. 400,000 acres. That's a little bit more than the size of one Iowa county. An average Iowa county has about 350,000. So that's a little more than one Iowa county.

How much of that is in Iowa, do you know?

Mr. **Kirk**. There's a large percentage of that number in Iowa.

Senator **Harkin**. Yes, I think so.

Mr. **Kirk**. That's where the largest percentage of our loans are. We have close to $2 billion in land loans in Iowa, which is approximately 40 percent of our portfolio.

Senator **Harkin**. Well, it just appears to me that we're going to have to do something about an infusion of capital into the Farm Credit System, and I hope we can do something about it. If St. Paul has so much available that they can put money out like that, perhaps they can help us down here a little bit, too. I don't want you to answer that, Mr. Kirk.

Mr. **Kirk**. I don't intend to. [Applause.]

Senator **Harkin**. Thank you, Mr. Chairman.

The **Chairman**. Thank you, Senator Harkin.

Senator Conrad.

Senator **Conrad**. Mr. Severens, I was interested in your proposal. I'm wondering if you are familiar with new regulations that have been proposed by FmHA that would dramatically curtail credit availability to borrowers.

We had a meeting last night, in which an assistant attorney general of the State of North Dakota indicated that these proposed new regulations and the comment period, as I understand, ends this Friday—would dramatically curtail credit; perhaps as much as a 50 percent reduction in eligibility for current FmHA borrowers. Are you familiar with those regulations?

Mr. SEVERENS. I'm familiar with the fact that the regulations exist. In fact, the regulation that I cited in my testimony dealing with this inventory disposition issue was in that same set of regulations.

Senator CONRAD. That's what prompted my question.

Mr. SEVERENS. It's a horrendous chore. The regulations are probably a quarter of an inch thick and anybody familiar with the Federal Register knows we're talking about very, very fine print and thin pages. In our office we have divvied up the chores of looking at them, and we will have our comment in. I am not the person, however, of our staff who can respond to your question. I don't doubt what you say is true and I'm aware that the attorneys general in a number of Midwestern States are also preparing a comment as well, and I think those comments should, perhaps, be made available to the committee members because it takes a lot of effort to analyze these comments. I have no idea of how many hours went into making them, and we're given 30 days to comment on them and it's a very difficult chore.

Senator CONRAD. Well, in looking at those draft regulations, they appear to be about almost a hundred pages. They've provided people 30 days to comment. Many people in my State didn't receive them for at least a week after they had initially been proposed because of the delay and the mails, and then they expect public comment within another 3 weeks on regulations that might have sweeping effects and, I might say, very adverse effects on credit availability not only in my State but certainly in the rest of the Midwest. I must say, I think all of us were amazed and dismayed to find these kinds of sweeping regulations being proposed, and we've asked the Chairman to intercede with the Secretary of Agriculture. But based on your experience, if, in fact, these regulations are as sweeping and as adverse as the Assistant Attorneys General of our region believe, what would be your assessment of the effects on credit not only for FmHA borrowers but others as well?

Mr. SEVERENS. Of these sweeping regulations?

Well, I think, you know, the trends in Farmers Home are real clear over the last few years, and this particular set of regulations is just another nail in the coffin of Farmers Home, as far as I'm concerned. There's a deliberate attempt to discredit the agency, to do absolutely ridiculous things, discredit the agency and, I think, probably lay the groundwork for dismantling it altogether.

You heard Mr. Brandt talk about how the guaranteed program isn't working. Well, we have been critics of the guaranteed loan program for a number of years for different reasons. The move to replace direct loans with guaranteed loans has disastrous impact in terms of a public purpose that the agency is designed to serve and turn over the decisionmaking as to who gets a loan from a public servant to a private banker, and who is to know that they're going to serve the public service as opposed to their own portfolio. So the move to guaranteed loans—even the guaranteed loans aren't working. There's a regular pattern of making some shift that has subjected the agency to all kinds of abuse and discredits the agency, and lays the groundwork for just everybody regarding it as a joke. I think it needs to be picked up and dusted off, and seen for what it can be because we need it, as I said in my testimony, now more than ever.

Senator **Conrad**. Your analysis—that's what I'm most intersted in here—your analysis is that there is a conscious effort underway to discredit FmHA and to lead to its dismantling? That's your conclusion?

Mr. **Severens**. Yes. I think the way it works is interesting and it's hard to put your finger on it. I think there's a benign neglect at the top that you see in certain spots, and then there is a deliberate undermining that you'll see somewhere else. And part of the way the benign works, they let States go their own direction. You find State directors exercising their authority very differently from one State to another. For example, in North Dakota, the inventory land is being sold in quite a different way. We understand from some communications people in North Dakota that the land is, in fact—Farmers Home inventory is, in fact, being reserved for family farmers. That doesn't appear to be the case in Nebraska. There's no central, you know, this is a Federal program. It should have consistency and some integrity. Instead, it's just slowly being dismantled and it becomes a sort of diverse conglomeration of whoever the State director might be. If he chooses to exercise benign neglect, it gets reduced to whatever the county supervisor happens to think Federal policy should be.

Senator **Conrad**. I would like to pursue this further but in the interests of time I'll end here.

The **Chairman**. Thank you. Believe me, it's a subject that's going to be pursued further and I'm glad, Senator Conrad, you've raised it. I think what we heard last night has shocked all of us.

Senator Daschle.

Senator **Daschle**. Thank you, Mr. Chairman.

I want to follow up just briefly, if I can, with Senator Conrad's comment with regard to these practices of the Farmers Home.

Mr. Severens, you called it benign neglect. It seems to me that it's very acute neglect. From the top all of the way through the bottom, we've got a lot of philosophical difficulty here with regard to their appreciation of the role of Farmers Home. That's the problem, and they're willing to carry out that philosophical destruction all of the way through this System.

Let me ask you this: Is it your understanding that the farmer operating loan availability this year has been zeroed out?

Mr. **Severens**. I haven't looked at the most recent figures, Senator, so I can't really give you, you know, a definite conclusion.

I can fall back a little, I guess, on the fact that the 1985 farm bill had a phasing out of direct Federal lending and a gradual substitution of—there was an overall reduction of Farmers Home lending and within that reduction, a substitution of guaranteed lending or direct lending, and if that pattern holds, there should, in fact, be a reduction. Whether or not it's greater than that allowed for by Congress, I can't answer that.

Senator **Daschle**. But it's my understanding that that phase out was to occur over the life of the farm bill, and it's also my understanding that as of this year in certain States, including South Dakota, there is no operating money available.

Do you find in Nebraska that Farmers Home is currently still providing operating loans?

Mr. **Severens**. I don't believe they are but I can't say for certain. I would be happy to get back to you with a definite answer on that.

Senator **Daschle**. That would be very helpful. This is, again, an indication of the major difference in opinion that apparently exists between those operating the Farmers Home Administration and the intent of Congress even as it was reflected in the farm bill itself.

What percent of farmers this spring, at least in this part of the country, will not receive adequate operating credit, Mr. Severens?

Mr. **Severens**. I can't give you a percentage. I can say that I don't think there is a shortage of funds in the aggregate among all of the lenders. What there's a shortage of is creditworthy borrowers; borrowers who can afford to pay back at today's prices and borrowers who can afford today's interest rates.

The money is there, the repayment ability is not, and that's the nub of the problem. There's no way to pay back that loan. The farmers who go out of business or can't get credit for spring planting, it's not because there isn't money setting in the local bank that's loanable, or it's not because the PCA's might not be able to make some loans as well. It's that they don't regard that borrower as creditworthy in today's economic environment. That's the critical problem. And so for that farmer, it will take—for them to cash flow, they're going to have to have some type of subsidized interest rates or they're going to have to use something like chapter 12 to scale back their operation, discharge that debt. Someone has got to take that loss. That loss is there. It's got to be taken by somebody. If that farmer is insolvent, he can't take any more. He has taken all that he can. Someone else is going to have to take it, and whoever is next is line is going to have to take it. Use that chapter 12 to rebuild their operation. So I can't give you a percentage to your question.

Senator **Daschle**. Mr. Kirk, what is the latest position of the other districts in the System with regard to their willingness to share assets?

Mr. **Kirk**. There is not total agreement, as we're aware, from all of the districts to the extent that they're willing to share assets. There is agreement among all of the districts that they're willing to share assets up to a certain limit, based upon certain conditions coming forth, full enforcement of some of the 1985 and 1986 amendments to the Farm Credit Act.

There are lawsuits, as you're aware, going on between some of the districts and the FCA, and Capital Corporation, et cetera.

Senator **Daschle**. Well, there's been a great deal of talk in the last few weeks about the need to provide some kind of capital infusion on the part of the Government to the Farm Credit System. I'm only speaking for South Dakota and for this Member, but I can say that the willingness and the interest on the part of, at least, this Member, is going to be determined in large measure by the System's forbearance policy and, secondly, by the willingness demonstrated on the part of other districts to share assets and to come forth with a cooperative spirit.

Then, taking a lesson or a chapter from what Senator Harkin said, I really do think it's outrageous and inexcusable that at a time when you are called upon to show maximum forbearance, and at a time when you are asking other districts to share in assets, you've got other districts out there advertising to buy North Dakota. If they have money to lend at 4.9 percent to buy North Dakota, then they've got to have money to provide to the Omaha district, to give you the forbearance you say you want. That's really what we're talking about here and I'm very hopeful that that kind of cooperation and that kind of sensitivity to farm credit is going to be demonstrated prior to the time the System comes to Congress asking for any kind of capital infusion.

Thank you, Mr. Chairman. [Applause.]

The CHAIRMAN. Mr. Severens, I might say, I was very impressed with your testimony, and I noted your answer to Senator Conrad in which you said that there was a dismantling going on—in effect, a dismantling of the Farmers Home Administration by discrediting it. I agree with you. I think the administration is trying to do by regulation and administrative action or inaction what they cannot do by congressional action. I think it is absolutely outrageous. They're trying to thwart the clear intent of the law, the clear intent of not only this Congress but Congresses past, and they best know that it's a new day out there. It is not going to go past this chairman. It is not going to be ignored by our committee, and they had better learn that they're going to have to follow the law just like everybody else. [Applause.]

Thank you. That, incidentally, will be the import of the message the Secretary will get from me when I call him about what we heard last night.

Our next panel is Wayne Johnson, Dorothy Lau, Bryce Neidig, John Hansen, and Steve Hallogan.

Ladies and gentlemen, I ask again that you each give your testimony first and then we will go to the questions.

STATEMENT OF WAYNE JOHNSON, FARMER-FEEDER, AINSWORTH, NE

Mr. JOHNSON. Thank you, Senator.

I'm very appreciative to have a chance to appear before this committee, and I want to especially thank Senator Zorinsky. I appear at his invitation.

I'm Wayne Johnson, a farmer-feeder from Ainsworth in north-central Nebraska. I am going to present to this committee the stockholder's viewpoint of the present credit crisis of the Farm Credit Bank of Omaha.

In spite of all that has been said here, I for one—and all of the bad things the Farm Credit System had done to myself, my neighbors and my friends in north-central Nebraska—I am not ready to give up on the Farm Credit System. There can be some changes made, a lot of them, and some help from Congress, and this thing can be squared around. The Farm Credit System can again become a powerful force in the Nation's agriculture as it has been in the past. This is not the time to throw in the towel on the Farm Credit System.

Mr. Kirk is new in this business and he hasn't really had time—a chance to even assess what's going on here, but I don't think this is the time for us to throw in the towel on the Farm Credit System.

I served as a director of the local Federal land bank for 11 years, and on the advisory committee of the Omaha Land Bank for 3 years. I have been a borrower and a member of the Valentine PCA for 18 years, so I feel I have first-hand knowledge of the problems and how they came about.

In the Omaha district credibility in the System has sunk to absolute zero for several reasons. Putting the two PCA's into liquidation and freezing the stock sent out shock waves that are still being felt. Over two-thirds of all PCA borrowers have left the System in the four-State area. Most that are left are loans that could not find credit elsewhere.

Senator Zorinsky mentioned the Federal land bank stock. The same thing is happening there now. He mentioned the fact that if—he wanted to know if the borrowers had been notified that their stock was in jeopardy. Don't worry, when this happened in north-central Nebraska, the borrowers were notified. They know what happend to us and how we were treated. It became common knowledge all through the district.

People that had loans, Federal land bank loans, as old—they were only carrying 5 percent interest—came into local banks, and asked bankers if their stock was at risk and if they should pay that loan off. That's how this affected the whole System.

What started in the PCA is now very evident in the land bank. There have been numerous articles in magazines and newspapers almost daily saying that the System needs help but may survive for a few more months.

How can you expect borrowers to commit themselves to a long-term loan with an institution that may go into liquidation in the near future?

On that same subject, the Federal land bank in the four-State area in the last year has made, approximately 680-some new loans. Over 13,000 have been paid off.

The crisis in the Nation's Farm Credit System is by far the biggest problem facing the farmers and ranchers, and the entire rural economy today. It far overshadows any changes or modifications in the 1985 farm bill now being discussed in Washington. This probably will be in disagreement with some of the Senators that are here. I'm even going to disagree with Senator Zorinsky. I don't think commodity prices are our biggest problem. Hog prices are real good; cattle prices are acceptable. With the deficiency payment, and so on and so forth, corn prices are—if you're in the program, at least you can live with them. I'll admit, they should be higher than that, but commodity prices aren't the real problem that we've got. Farm debt and high interest are our real crucial problems.

We cannot have a sound price and income program for agriculture until the Farm Credit System is put back on track. Despite all of the denials to the contrary, and allowing them to use phoney accounting procedures, the Farm Credit System is bankrupt at this point in time. If it was a commercial institution, they would have closed the doors a long time ago.

The System was started and put in place by the U.S. Congress, and they will now have to step in and restructure, rebuild, or do whatever is necessary to make it serve the purpose for which it was intended, to provide quality credit to agriculture.

Now I have four or five points that I'm going to throw in here, and they may sound simplistic. But just the same, if you would sit down and do some of these things with modifications, perhaps, you could get this thing back to where it should be.

Number one, Congress must guarantee the value of the stock to restore credibility in the System.

Now I would like to ask a question of the Senators. In 1985, in December, when they passed a quick farm credit rescue bill, did or did not they guarantee the stock—or the bonds to the bondholders? Do you know?

My understanding was that they guaranteed the bonds at that time. If they did, the Congress has more or less signed our note at the bank, and that's pretty nice, to have somebody cosign your note at the bank. So, in other words, they are already obligated for the bonds. They would be remiss in their duties if they didn't step in and help the other side of it. The bondholders—you've got to have both, the bondholder and the stockholder, or you haven't got a viable System.

Drop the interest rate to 8 percent or to no more than 1½ points more than a bond costs. This would immediately stabilize land values. People that couldn't make it would be able to sell their land. This would turn the thing around over night. Then instead of accelerated loans and adding penalty interest, which they're doing all of the time in the Federal land bank and in the PCA's to troubled loans, assess each one and make it cash flow with the interest in a sliding scale down to zero. You'd be better off to get 1, 2, or 3 percent interest than you would to get no interest at all and have all of this acquired property that they've got. Make it a family farm act by limiting loans to $500,000. If a guy needs a bigger loan than that, he can get it somewhere else.

Return control of the System to the stockholders with an oversight committee from Congress. At the present time, no one really knows who is in charge in the Farm Credit System.

The **Chairman**. Thank you. I am advised that the Congress did not guarantee the bonds. Are you going to make reference to that?

Senator **Harkin**. No, we have never guaranteed the bonds of the Farm Credit System; however, the bondholders believe they are and the investment banks in New York that have been selling the bonds, they believe they are, because I spoke up there one time and they said that they believe that Congress would never let the bonds be defaulted. While I am supportive of the Farm Credit System, one of the gripes I have had about it is that it seems like the bondholders are going to be held harmless. We're on the path of making sure that the bondholders are secured; that they get 100 cents on the dollar for everything that they have invested in Farm Credit System bonds. But they knew when they bought those bonds that they were not guaranteed. They took a chance, too, and so there's going to be a wringing out of the Farm Credit System. The bondholders ought to ante up a little bit, too, as well as the farmers. One problem I've had is it looks like we're going down the path of telling the bondholders that they're all okay, we're going to secure them. But the answer is, no; Congress has not secured those bonds.

Mr. JOHNSON. I agree, bondholders knew they were at risk, and assured it might be part of the deal that they would at least lose some of their interest. I'll wrap my presentation up now. I was up at 6:30 feeding cattle and so, you know, it's getting past lunch time, I think I better get off.

The CHAIRMAN. Thank you very much.

Dorothy Lau, please.

STATEMENT OF DOROTHY LAU, MURDOCK, NE

Ms. LAU. Thank you, Senators, for coming to Omaha. I wish this trip were not necessary for you but it is, so I do thank you for coming to Omaha.

I'm Dorothy Lau from Murdock. Murdock is a small rural community southwest of Omaha. I live there with my husband and my daughter, and we live on 10 acres of land. That land is what is left of our family farm that has been in our family for almost a hundred years, and I would like to briefly tell you the story of that land and I will be brief.

My husband, Vern, is a fourth generation farmer. Our ancestors farmed the land. They went through the Depression and they took whatever was handed out to them over the years, and the land was never mortgaged until we had to mortgage it in 1982.

We have four children; three of them are sons. And the plan was to pass on to them what had been passed on to us if that's what they wanted. That plan never materialized. Over the years we were able to buy some more land and we were able to rent some land, so eventually we ended up farming 600 acres.

In the late 1970's we began to hear the slogan, "If you're going to stay in agriculture, you need to get big." The lending institutions said, "Either get big or get out." We listened, we believed and we tried to get big. That's really when our problems became major problems.

Our major lender was the PCA. We went to the PCA and we asked what they thought about us expanding our operation to include our sons. They suggested and advised a hog operation, and not a small one. It was a large one for us to handle. We were encouraged to build and they were eager to loan us the money, $132,000 for the building alone, and then they loaned us money to buy registered stock to put in that building.

After we got the thing built, the price of hogs began to drop. A year later, the same loan officer that had advised us to build the building told us they had never seen one of the operations work.

We kept borrowing to try to survive. The interest rates were anywhere from 14 to 16 percent. In 1980 we were forced to sell 80 acres of land to partially pay down some of the debt. The hog prices, the corn prices, the soybean prices, they were all falling rapidly by then, and the land prices were dropping dramatically. The interest was building up faster then we could pay it off.

In 1983 we filed a chapter 11 bankruptcy thinking that if we had some time we could reorganize and pull ourselves out of this, and at that time we honestly thought we could. We were depending on the hog operation to help us do this. Our plan was approved. After the plan was approved, a disease hit our hog herd causing major losses. We had two early frosts 2 years in a row that kind of took care of our soybean crop, and it became apparent that we couldn't work ourself out of debt.

In December of 1984, we watched our farm machinery being sold to the highest bidder. In April of 1985, in order to save our home, we turned the last of our land over to PCA to write off our debt. I might add that we also signed over our stock to PCA as a final settlement.

PCA has since sold the land and we feel like our 10 acres of ground is sitting in somebody else's farm. What happened to us, I don't need to tell you, is happening to farmers all across the country and it's not because we are poor managers. We tried to borrow ourself out of debt, and that's what happens when farmers don't receive a fair price for their product. We're forced to borrow to keep on farming and eventually it will catch up with other farmers just like it caught up with us. It's like a pebble dropped in a pond. The threat to farm families ripples out and eventually affects the others, even to the national debt. Over the past 30 years a close relationship can be seen between the rise in farm debt and the rise in national debt. Both the individual farmers and the Federal Government have been forced to borrow their way to survive. Credit has replaced price as our way of doing business. I blame the so-called ag crisis on a couple of things. One of them is no sound farm economic policies. There have been band-aid solutions offered here and there for a few people over a short period of time but nothing has been permanent since 1933. The political response to the farm problem after the Depression was parity legislation, and I think we all know what happened to parity legislation.

I also blame the ag crisis on another thing. I think the lending institutions have to take their blame in this crisis, too. They have been too liberal. An example, when we had just borrowed the money to build our hog operation, a loan officer came to our house during this same period of time and said, "Dorothy, do you know of anyone else who needs money? We have plenty to loan." So they were too eager to loan money in the good times and too eager to call in loans at the bad times. If the cost of production is higher than the return, you better think twice. The lending institutions better think twice, too, before they borrow loan money on it.

We live in the midst of this crisis in rural America and there's two ways to look at a crisis. One way is to see the crisis as a threat. The bottom line of threat comes when those who farm the land can no longer afford to own it, and those who own the land are not farming it.

The crisis also presents another side. It provides an opportunity, an opportunity for us as people to make a permanent change. We stand at a unique moment in history. We can either shape our future for the better or we can shape it for the worst. This can be our finest hour or it can be our worst hour. It all depends on how we respond to the opportunities that crisis presents. [Applause.]

The CHAIRMAN. Thank you very much, Ms. Lau. I might note that I'm sure your statement was not an easy one to make here. I want you to know it's helpful to us. People, like you, are the reason why I've brought this committee out of Washington, so we can hear you, and I thank you for coming here today.

The next witness is Bryce Neidig, a farmer from Madison, Nebraska.

Mr. NEIDIG. Thank you, Senator.

The CHAIRMAN. And if I mispronounced your name, sir——

STATEMENT OF BRYCE P. NEIDIG, MADISON, NE

Mr. NEIDIG. No, you're right.

Your're one of the few that has, Senator.

I am Bryce Neidig, a farmer from Madison County, Madison Nebraska. I guess I correlate somewhat to the previous lady. I am the fourth generation and my son a fifth generation farmer, farming some of the same Madison County land, and I'll address my remarks very briefly today to, basically, the Farm Credit System and then commercial agricultural credit outside of that.[1]

Almost to paraphrase—and I did not correlate any of this with Mr. Johnson, but I think we need to recognize that if we think we can solve the present, quote, unquote, "credit problems in agriculture today solely from the income side," I think we're kidding ourselves. We have, in addition to the income side, an old debt problem, and I feel there must be some way—there has to be some way to adequately address that old debt.

Assuring the survivability of a viable agricultural system based upon our historic family-owned and operated farms and ranches is crucial, and I would like to talk about that system as families that farm as opposed to purely a family farm because the family that I'm involved in, the farm is different than it was but it's the same family that's farming.

Now directly to the Farm Credit System. The Farm Credit System's problems, I feel, stem mainly from the fact that it supplies solely agricultural credit, and we know what the results of that have been. In other words, there is no way for the System has to spread risk. And not just from a borrower's point of view but as a farmer who is sincerely concerned about agriculture in general, I don't think that we as a nation can possibly allow the Farm Credit System to fail, and that has been mentioned in some circles. Also, from both a farmer's and a borrower's perspective, there are several things, I feel, must be considered as we look at ways to keep the Farm Credit System a viable system.

Continuation of a borrower-controlled organization, decentralization to the maximum extent feasible, lending limited to farmers and their cooperatives, full disclosure to their borrowers of the financial condition of the System; protection of the value of member-borrower stock, pursuit of meaningful and effective restructing of member-borrower loans, and prompt infusion to Federal Government capital as needed, and not necessarily in that order. And if I can stop just briefly there to—on the last point, on the prompt infusion of Federal Government capital, it's been apparent to me that there is little disagreement in Congress or many places, for that matter, of the need somewhere for Federal help in the Farm Credit System. But one answer that's rather common, "But not now." My fear is that we—and I say "we" as a country or whatever—are in danger of allowing the System to continue to hemorrhage until we decide to put a tourniquet on and there's nothing left to stop, so I feel that we need that prompt infusion with whatever attendant rules and regulations need to be applied.

---

[1] See p. 290 for the prepared statement of Mr. Neidig.

Most importantly of all, we simply must not, and I repeat, we must not lose sight of the reason for the creation of the Farm Credit System in the first place. Just saving the System without always keeping in mind the reason for that System does nothing worthwhile.

Other alternatives have already been mentioned that I think we need to look at in the farm credit area, secondary market for agriculture loans, perhaps even some sort of mechanism to effectively recapitalize agriculture, and both of these ideas, of course, extend beyond the Farm Credit System.

In the written testimony I previously mentioned, the need to ensure the continued availability of adequate credit at the lowest feasible interest rates. The key here is "lowest feasible interest rates". It is sometimes difficult to impress on those outside agriculture the impact of interest rates. I'm sure that we might all be surprised at the positive financial impact a reduction of three to five percentage points would have on the cash flow of most agricultural operations, and think how that would help address the problems I have already mentioned relative to delinquency of payments to lenders and merchants, and also tax payments.

I believe that far too much emphasis has been—and maybe this is part of the problem—or the situation that led to the problems in the System—is the balance sheet lending approach and far too little upon a profit and loss approach. In my opinion, this probably has been more noticeable within the PCA's than anywhere else. And also, in my opinion, more producers have found themselves in an intolerable financial position because of this than for any other one reason. In other words, reasonable forebearance simply must be practiced throughout not only the Farm Credit System but agricultural lending in toto. And even though it is imperative that we maintain viable and reliable sources of agricultural credit at lowest feasible interest rates, simply offering more credit is not a viable solution to our problem. Thank you.

The Chairman. Thank you, sir.

The next witness is John Hansen, Newman Grove, Nebraska.

STATEMENT OF JOHN K. HANSEN, NEWMAN GROVE, NE

Mr. Hansen. Chairman Leahy, Senators Zorinsky, Harkin, Daschle, and Conrad, thank you for the opportunity to appear before you and your distinguished committee today.[1]

I want to welcome you to Nebraska and congratulate you and your committee for making the effort to hear from real farmers and not just high paid lobbyists and so-called experts. I want to assure you that I am not a high paid lobbyist nor, for that matter, a high paid anything else and I have 15 years of farm records to prove that.

---

[1] See p. 292 for the prepared statement of Mr. Hansen.

I was asked to share with you today my views on ag lending, and my views are based on my experience as both a farmer and as an ag supplier. I have also had the unfortunate experience of becoming a reluctant ag lender myself as a result of financial commitments made on the part of other ag lenders to customers of mine. And what we found is that, that is an ongoing problem for ag suppliers, and it's probably without question the biggest single reason that ag suppliers are failing in today's economy is that they simply have more uncollected bills than they can afford to absorb, and we also have the problem today in the ag supply area of lenders that in the past have made commitments good for the operating season and then have come back part way through the season nowadays and saying, "Well, gee, I don't know, I think we have to take another thing and see how it looks come fall," and that's how new ag lenders get born. And, unfortunately, us new foreign ag lenders don't have the advantage of being in a secured position.

In my farming operation, I have always been a big believer in keeping good records. We use three records to make cash flow projections of our operating loans. Cash flow is the month-by-month accounting of the total amount of money in and out of a farming operation. Cash flow lending is the name of the game in rural lending today. A positive cash flow is a must in order to obtain an operating loan in today's ag economy.

In order to achieve a positive cash flow, we have done what most farmers have done, in our own operation, we have tried to minimize our expenses and maximize our income. We had one of the lowest costs of production out of a farm bookkeeping class of 67 farm families in northeast Nebrasks. And yet, while we're always looking for a better and cheaper way to do things, we feel that most of what we can achieve through cost cuts and considerations has already been realized. While we fully utilize the farm programs and what they have to offer, our farm record books tell us that we need outside income in order to help meet family living expenses and debt retirement goals. Between the custom farming we do, having my wife work part time, the crop hail insurance agency that I own and operate, and my 10-county area seedcorn distributorship, I am able to generate an additional outside income of approximately $20,000 to $25,000 per year. It is this outside income that, basically, feeds my family and helps me retire out debts.

I would like to skip over some of my testimony here.

But one of the things that I want to draw your attention to is the figures in my written testimony about the 2,000 family farmers and ranchers, according to the Nebraska Crop and Livestock Reporting Service, and I see that on a personalized basis. The sad story that we have heard here today from Dorothy Lau is a story that I hear all too often while I'm out talking to my seedcorn and fertilizer customers and dealers. I see these people. I see what it does to them. I see the pain. It's a pretty tough thing to come home, after you have been out on the road all day seeing a bunch of people that should be in the prime of their life trying to retire. Instead, these older people are breaking down and crying, and trying to find some kind of way that they can reorder their lives so they can, at least, have a place to live and maybe generate enough income that they can take care of their wife going into retirement. It is a sad story.

We have had three of the best crop production years our State has had in Nebraska in a row. Yet with these bumper crops, the cash flows continue to either barely work, just barely work, or not work at all. We all know that one below average production year and farmers in our area are in big trouble. Farmers and their bankers in our area agree on that.

The equity based borrowing of the 1970's is a thing of the past, as is most, if not all of the inflated equity, that it was based on. What has not left, unfortunately, is much of those old inflated debts. The financial statements of today continue to follow the land values they are based on down, and down and down. Some of my land was valued at $1,300 per acre on my own financial statements in the years 1982, 1983, and 1984. My 1987 financial statement puts a $400 per acre value on the very same ground. Talk about going through the financial bends!

What one key—I'm running out of time—the key—I talked to the ag lenders in my area. I talked to my customers and my dealers, and I will give you the advice that one of the—the strongest and one of the best ag lenders in my area suggested to me to help deal with ag credit problems in our area from both the lenders' and borrowers' prospective. And he said, "One is, you have to have higher prices for basic feed grain commodities and, two, we have to have more net income from farmers and, three, we have to have more profit." And if we have any one of those three, I think that we're going to be able to survive in some kind of fashion because, after all, it is the net income that we have as farmers that provides us with a basis for being able to service debt loans. Thank you.

The CHAIRMAN. Thank you very much.

Let's hear from our last witness today, and then a closing comment from Senator Zorinsky.

The last witness is Steve Halloran who has a farm near Hastings, Nebraska. Mr. Halloran?

STATEMENT OF STEVE HALLORAN, HASTINGS, NE

Mr. HALLORAN. Again, Senator Leahy, I would like to repeat the thanks to you and your committee coming to listen to—giving me some time.[1]

We look upon credit for some reason as being the normal thing in farming or the need for credit. As a matter of fact, my ASCS office sent out a letter the other day stating that—in definition of what a person is for limit payment purposes, and one of the requirements is that he require credit or a need to borrow. This is not the normal thing to have to do. The only reason for credit, justifiable reason for credit, would be for expansion and growth, not for operating purposes.

---

[1] See p. 293 for the prepared statement of Mr. Halloran.

It seems as though we spend a great deal of time concentrating on the hole in the agricultural donut while someone is getting away with the donut.

In my area—and it's been mentioned previously—there is plenty of credit readily available. The problem is—as a matter of fact, there's a surplus of credit. The difficulty lies in that there is a lack of credit where the borrower is. Ironically, those who are creditworthy don't need it, and those who are not creditworthy can't get it. More and more farmers are becoming less and less creditworthy under the current farm bill.

The credit crunch is two-fold: Credit stress, or the need for more credit, is a direct result of the price depressing farm program. The resulting low commodity prices force more defaulting on loans. It also creates a weakened financial statement and cash flow capability for farmers. This, in turn, makes them less creditworthy.

We have, I believe, proportionately, as much of a surplus of credit available to agriculture as there is a supposed surplus of commodities in the world market. Washington has dictated upon farmers a market-clearing price for their production in an effort to gain a larger percentage of the world market. Result: Our prices are cut in half with little gain in exports, and a miserable imbalance of trade. Lending institutions would scream, I would suggest, if Washington mandated a similar marketclearing scheme for interest rates on borrowed capital.

Farmers are using basically three lines of credit. The first line of credit being used is the advanced deficiency payments upon sign-up for farm programs. The second line of credit, rapidly becoming a residual supplier of credit, are the local commercial banks. The Federal Credit Administration is obviously the third line of credit, and I'm afraid they're destined for failure. I hope not, but I'm afraid they are.

It has recently discussed—the FCA has—the idea of letting strong banks survive and simply recapitalizing failing banks with Government funds. This philosophy has come to be because of a similar primitive attitude that the administration has towards agriculture. That attitude being, "Let the strong survive, if they can, and hasten the demise of the weak." This same farm policy, which promotes selling larger volumes at below cost of production, will be the demise of the Federal Credit Administration, and with that will put pressure on commercial banks, obviously forcing more bank closings.

I am tickled that we have the Future Farmers of America here, and I would like to address this part to them real quickly.

There's a very crucial credit dilemma being experienced by young people trying to enter agriculture. The FmHA does not want young people on their portfolio. They want an established farmer with net worth and cash flow. Commercial lenders require a cosigner which traditionally, is a parent of the borrower. The dilemma is that the current payment limitation restrictions will not allow that young man to qualify as an individual producer—or person—and not allow him to qualify for the farm program benefits, if his father cosigns his notes. They also discourage the beginning farmer from using his father's equipment; another traditional method of starting a farm.

The Committee on Economic Development, CED, and its policy paper, the Adaptive Approach to Agriculture, recommended that efforts be made to discourage youth from entering agriculture. The current administration should be applauded by the CED for successfully implementing this insidious policy.

Thank you. [Applause.]

The **Chairman**. Thank you very much.

Senator Harkin, you wanted to make one——

Senator **Harkin**. Thank you, Mr. Chairman.

Before we end here, I would just like to take a little bit of the committee's time, and the people here—there are a lot of people also, I see, in the audience that I know are from across the river in Iowa—and I wanted to take just a minute to recognize an individual who is in the audience, who has had a distinguished career as a public servant in the past. First, he was a State senator in the Iowa State Senate in Des Moines, and then later served as a Member of the U.S. Congress, representing the Fifth Congressional District of Iowa which is right across the river here. And while we have been political opponents in the past, we have always remained good friends, and I'm sure always will. He has been a strong supporter of American agriculture always in the past and remains so today. I would just like to introduce to the audience Congressman Bill Shirley from across the river.

The **Chairman**. Please stand up, Congressman. [Applause.]

Congressman, I appreciate you being here and I appreciate all of the people who have come here, both from Nebraska and Iowa, and a few from Vermont. Thank you all for being here.

In closing, I will give it back to my good friend Ed Zorinsky.

Senator **Zorinsky**. Well, thank you, Mr. Chairman, and I would certainly like to thank the witnesses for appearing here today. I think we learned a lot from you. Generally back in Washington, everybody thinks they're an expert. I think the experts are out here. Certainly, I feel, we have had some testifying, those with firsthand knowledge of operations of farms and businesses back here know what the impact of today's economic future concerning agriculture is and how Government impacts on it.

I would just like to say a concluding word of caution. The fact that it's been mentioned during the testimony that we need lower interest rates, we need lower cost of production, and this all helps, but it's a short-term resolution to the problem. I took pre-med and I was always taught that before you can give the patient a transfusion you have to tie off the artery that the blood on the outside is leaving from, otherwise it's a constant transfusion and infusion. I guess what I refer to is the long-term solution to the problem and when you say "Decrease interest rates, decrease cost of productions," everybody assumes that the Federal Government is going to continue to give deficiency payments to the tune of $26 to $28 billion annually, and that's just not true, which means if we ever hope to get rid of the crutch that the Federal Government has provided in deficiency payments, we've got to allow the marketplace to take over and, God forbid, that the consumers have to pay more money for food and that's where it's all at. [Applause.]

But I would like to say this, Mr. Chairman, you bring a new light to the future hopes for the people of agriculture, and I think more interest of our committee nationwide on these types of subjects will help us gain a consensus because, obviously, we'd all like to get to the same place and that is a marketplace oriented to a consumer-produced profit so that the farmer can have an earned income in order to pay off the debts that today we're all trying to analyze and evaluate as to how to secure the future of credit. Now credit has to be paid back, and what is it paid back by? Well, ask the OPEC nations. The reason we've got bank problems in Oklahoma, Louisiana, and Texas, is because energy prices are low today and they're not going to always stay low. But all of these geniuses in OPEC have suddenly realized that overproduction has taken away the profit structure.

I think some day, somehow, someplace, somewhere, agriculture is going to have to come to grips with overproduction in order for us to increase commodity prices so we can pay off the banks. Once again, the Federal Farm Credit System can proudly say, "We generate our future on the profit structure and earned income, not on the hopes that the farmers will continue to get high subsidy payments and high deficiency payments" because I would not want to open up the windows of the taxpayers to the Farm Credit System of this country on a parasitical basis which will have to continue forever, and I think it behooves all of us to look at the far ranged goal of where we are going rather—as Mrs. Lau said, "Put a band-aid on one at a time," and I fear that's what we have been doing.

Mr. Chairman, I would like like to compliment you and thank you from the bottom of my heart, Senator Daschle, Senator Conrad, Senator Harkin and you, Senator Leahy, for taking the interest and the time of your families to be here today. Thank you and God bless you.

The CHAIRMAN. Thank you. We stand recessed.

[Whereupon, the committee recessed, to reconvene at 3 p.m., in the Umba Building, Underwood, Iowa.]

EXAMINATION OF PROBLEMS AFFECTING THE FARM COMMUNITY

Farm Incomes

TUESDAY, FEBRUARY 10, 1987

U.S. Senate,
Committee on Agriculture, Nutrition, and Forestry,
Underwood, IA.

The committee met, pursuant to notice, at 3 p.m., in the Umba Building, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present: Senators Leahy, Zorinsky, Harkin, Conrad, and Daschle.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The Chairman. The U.S. Senate Committee on Agriculture, Nutrition, and Forestry will be in order.

I want to thank the good folks of Iowa and my friend, Tom Harkin, for inviting our committee here today. Senator Zorinsky, Senator Conrad, and Senator Daschle have stepped out and will return in a minute to join us. You're especially kind not only to make this facility available for us, but to arrange weather that I will now hear about from Tom Harkin for the rest of the winter. He reminded me at about 6 o'clock this morning that it was 20 degrees below zero in Vermont, in my hometown. So being here with Florida Tom is a great time, and this is a very nice turnout.

Let me just tell you a little bit on how we will proceed. Do you see that little red light between Dick Blazek and Charlotte Reif—that can also turn green, as you can see. I've been in the Senate for 13 years and that's the first time I was able to do that right. When it's on green, the person is testifying and when their 5 minutes is up it will turn red. The only reason I mention this is to keep within our timeframe. Certainly, if you have further material, we will put it in the record, but keep within that time so we can have time to ask you questions.

I came out here to Iowa at the specific invitation of Tom Harkin who, as you know, is one of the most respected voices in agriculture in the U.S. Senate.

Senator Conrad from North Dakota, and Senator Zorinsky from across the river in Nebraska, and Senator Daschle from South Dakota, all told me, during the time between the elections and the time that we came back into session, that we really had to get the committee out and hear what's going on, to hear the problems told by the people themselves. This is the first time, I guess, in a hundred years you've had a New England Democrat as chairman. I wanted you to have a chance to see what I looked like, too. But, also, a chance so that I could come out and let you know we are concerned.

We've had a number of these hearings this week. We started off with a speech in Chicago, a hearing in Minnesota, a hearing in North Dakota, a hearing in Nebraska, and now this hearing before we go on to South Dakota.

We've also done something that is a little bit different than Senators normally do. We've asked farm families in the areas where we have been staying if they would be willing to put up the individual Senators. They said, "Well, maybe this once," and indeed they have, if we promised to make our beds and do things right, and that's what we have done. We did last night and will again tonight. That's been important. I know my wife and I, sitting around the kitchen of a farm in North Dakota, heard more about the hard reality of the farm situation than I could in 3 days of hearings in Washington, DC. I think that we sometimes spend too much time in Washington, DC. I think it's isolated from what's really going on in this country. I come from one of the most rural States in the Nation, and nothing is more frustrating to me than to hear somebody come, who has lived all of their life in Washington, and talk about their sensitivity to rural America. Their idea of rural America is pretty much restricted to the plains of Virginia. What we want to do is hear real people, the farmers and ranchers here in Iowa. You don't find out about true hardships in Washington. I think the corridors of power have an awful lot of sterile facts, sometimes distorted by statistics. It is the real truths that we're seeking, and if this committee is to really be the voice of rural America, which is something I intend it to be, then you can expect to see a lot more of us conducting business outside of the Capital Beltway.

We read the Washington newspapers and they tell us about the huge increases in foreclosures here in Iowa. The papers list the number of farms lost, the huge amounts of money farmers and ranchers need to borrow, but they don't explain the hurt. They don't explain the disappointment, and they don't explain the suffering. We want to hear this firsthand. I wish sometimes that the Secretary of Agriculture could see that, and I thought, Tom, the next time we have these hearings, I think we'll invite the Secretary to come with us and hear some of the same things we have heard. [Applause.]

We're here to listen and assess the worth of the 1985 farm bill. As with just about everything, there are parts of the farm bill which are working, and parts that clearly are not. On the one hand, we've all read about the multi-million dollar farm payment that some of the biggest farmers are getting under the law. But, on the other hand, at least a third of this country's family-sized operators, and a good portion of those are right here in this region, remain in some very, very deep trouble.

Now, I do not believe that most producers in Iowa, or Nebraska, or the Dakotas, or the other farm States, are raking in huge payments. So, does all of this spending under the present system help family farmers? That's one question we are here to ask you. I believe that high farm foreclosure rates reflect the failures of this administration's farm policies. The USDA reports that in the United States one farm fails every 8 minutes. That comes out to 180 farm failures a day, 65,700 per year; 65,700 farms. That's more than the people in the largest community of my State, which has 40,000 people.

Now we have a committee that's sensitive to the needs here. We have some of the best Senators, in my judgment, both Republicans and Democrats serving on this committee. We need to reach bipartisan concensus. And, if parts of the 1985 farm bill need revising, then they should be revised. No part of the bill is off-limits, in my estimation. Prior hearings show that parts of the 1985 farm bill are working, and they'll be supported. If they're not, then we will seek changes. The administration must know that we're not going to ignore the devastating effects of this attrition on rural America—the human suffering, the breakup of families, the destruction of whole communities. It's not going to happen. This committee, and the members of this committee of both parties, are committed to making sure it doesn't happen. So with that, I have spoken longer than I had intended to. I do want to thank you for your hospitality in having us here. I especially want to applaud my good friend, Tom Harkin. And let me tell you, we're all very, very fortunate he's there in Washington. Tom, I yield to you.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA

Senator HARKIN. Thank you very much, Mr. Chairman.

Mr. Chairman, thank you very much, and on behalf of all of my fellow Iowans, I want to welcome you as the new chairman of the Senate Agriculture Committee, and this committee to west Pottawattamie County, to the town of Underwood, to the district that I represented for 10 years in the House, and the State I now represent in the U.S. Senate.

I also want to welcome my colleagues, my good friend and neighbor to the west, Ed Zorinsky, Senator Zorinsky, who will be chairing the grains and wheat subcommittee on agriculture that will be doing important work this year; Senator Daschle with whom I served in the House and on the House Ag Committee who is now a Senator from South Dakota; and our new Senator from North Dakota, Kent Conrad. I want to welcome you all here to Iowa. You stole my thunder on the weather. I was going to apologize for the unusually cold weather we have here, Pat. It's usually warmer than this in February but we're having a little cool spell here.

I also want to thank the Mayor, Greg Clausen. I don't see him now. I saw him in the back a little bit ago. But the Mayor of Underwood, Greg Clausen, for helping arrange all of this and putting it together.

I also want to thank Joe Pickard—is Joe here—he is the director of the FFA. Let's hear it for all of the FFA young people. Would you stand? You're the ones that put this all together. Stand up. [Applause.]

I want to thank you all for helping put this together and for your help in taking it down afterward, and to let you know that all of us here who are a bit older than you, are going to do everything we can to make sure that there are future farmers in America and that you are those future farmers.

Mr. Chairman, Iowa is an Indian word that means beautiful land, and it is a beautiful land, but if we don't change our farm policies in the not too distant future it's going to be a waste land because we're losing our farmers and our small towns and communities. We have lost thousands and thousands of people from the State of Iowa just in the last few years.

This is a historic occasion. This is the first time that the Senate Agriculture Committee and the Agriculture Committee Chairman of the Senate Agriculture Committee has ever been to Iowa, at least in all of the research that I can find. It's important, as you said, Mr. Chairman, to get out of Washington. What you get from these kinds of hearings is a sense, kind of a feeling, a communication that you don't get in Washington, DC, and so I urge all of you who are on the panel today to speak frankly, to speak openly, to give us your best thoughts and your best advice on what you think we ought to do.

Mr. Chairman, Iowa is a proud State. We are first in corn production. We are first in red meat production. We're second in soybeans, only because Illinois fudges once in a while, but that's balanced on the other side of the equation. We're also the first in lost equity. We've lost 62 percent of our equity base just in the last 5 years. We are first among the loss of our farms. We're the first among farm bank failures.

Mr. Chairman, all these farmers want is to be able to make a decent living and to be able to make a profit, a decent profit; not outlandish profits but a decent profit on what they raise and what they sell.

Just yesterday—I might inform all of you—we were in Minneapolis and we heard some excellent testimony. I pointed out at the time that I had done a little research to find out what some of the profits were of the larger food processing companies in America, the food processors and wholesalers in America. I think it's important to see what's happening in this country and what's being placed on the backs of our farmers.

Let me just give you a few of the facts. In meatpacking, Monfort of Colorado, return on equity last year, return on equity, 27½ percent; Kellogg Foods, return on equity last year, 44.2 percent; Ralston-Purina, 46.6 percent; H.J. Heinz, 23.3 percent; Pillsbury, 17 percent. They're one of the lower ones. And yet I can say with all certainty that every farmer in Iowa had a return to equity last year that was negative. Our farmers don't need a 44 percent return, or a 20 percent return on equity. If they just had 3 or 4 percent return on equity they would be darned happy. Now I'm not against these companies making money. I'm not against them making profits. But, darn it, the farmers of this country deserve a fair share of those profits, just a fair share.

And as you've said, Mr. Chairman, there is a sentiment, a deep sentiment, not just among farmers but among rural bankers, the agribusiness people that I meet, the suppliers, the wholesalers, that the 1985 farm bill is not working and that something has to be done. Farm income continues to go down, Government costs continue to go up, and our exports continue to dwindle. And last week, Mr. Chairman, as you know, in front of our committee, the Secretary of Agriculture three times said that they intend to stay the course. Well, when you're in a car and you're rushing head long over the bridge into the icy Missouri River, you'd be a darned fool to stay the course, and that's where we're headed here, and so we do have to change the course of agriculture.

Mr. Chairman, let me just close by saying it's not just an economic concern but it's also a social concern. It's the social structure. The family farms, land ownership, the rural infrastructure, the basic questions of who will own the land? Who will farm it? And even more essentially, do we even care what kind of future there's going to be in rural America?

The U.S. Office of Technology Assessment recently issued a report, and let me just quote from it: "As the agricultural scale increases from very small to moderate farms, the quality of community life improves. Then as scale continues to increase beyond the size that can be worked and managed by a family, the quality of community life begins to deteriorate. The result," the report says, "is increased poverty, substandard living and working conditions, and the development of two polarized communities, one for the owners and managers, and the other for the laborers."

Mr. Chairman, I know of your lifelong commitment to agriculture, your 13 years now on the Senate Agriculture Committee. I know that you're a caring and sensitive person, and I know from the testimony that you've heard in Minnesota and North Dakota, just recently in Nebraska, and I know what you'll hear in Iowa, that you'll take back with you a deep sense that there is injustice in the land and that something has to be changed, and that the farmers and rural people of this country deserve a better shake than what they're getting. So I want to thank you for being here.

I ask all of the panelists, if you could, to try to keep your comments short. What I would like to ask, if there's any time—I know, Mr. Chairman, you have to rush off to South Dakota—if there's any time maybe we could even take some questions from the audience.

The **Chairman**. Thank you.

And with that, Tom, with your gifted eloquence and your great ability to set the stage, we will turn to Dorothy Wurster who is a feed and grain elevator owner from Tingley. She is also a school teacher and a community farm support group leader. It's all yours.

STATEMENT OF DOROTHY WURSTER, TINGLEY FARM SUPPLY INC., TINGLEY, IA

Ms. **Wurster**. Mr. Chairman, and members of the U.S. Senate Ag Committee, gentlemen, I am especially glad today to be an American and to be asked to speak before you and to speak of the inadequacies of agriculture.

My husband Howard operates Tingley Farm Supply in a town of about 200. We sell fertilizer, grain, feed, and lumber. We're the only elevator in our town.

South and southwest Iowa was hit first and longest by the rural crisis. We suffered 3 years of drought when our bank closed on August 10, 1984. It was one of the first banks to close.

We were caught in that crisis with high debt because of the inability of our customers to pay during the drought years, damage from the 50-percent set-aside, and lack of grain to handle during the drought years. We were literally paying interest on interest at that time from 15 to 18 percent.

Recognizing the FDIC is an insurance corporation and not a lending agency does not excuse them from the fact that they froze checking accounts to the extent that people didn't have grocery money. They were so inexperienced in agriculture that they refused to grant money for even animal feed. This, and the ability at that time of FmHA to act quickly contributed as greatly to the stress of the people as the drought itself did. The red tape alone would discourage a farmer enough to quit. Gentlemen, a third-grade student should not have had the experience that would prompt them to do a creative writing activity on: Happiness is being free of FDIC, and this is a true story.

It's been a long 5 years. We've written off about $40,000 in bad debts in our elevator. Our business has stabilized because of two good crop years, 1985 and 1986, but our community's economic setting is not such that we could withstand another crop failure.

It is generally accepted that for every four or five farmers, a business on Main Street goes down. From our town, we have lost a branch office of a vet clinic, a fur buyer, carpenter shop, hog buying station, and the branch bank of our new bank now closes at noon. One more business will leave in the spring. Because we're a rural community, there aren't any duplications of businesses.

Tingley is in Ringgold County, and you've probably read the figures of Ringgold County. Ken Stone, professor of economics at Iowa State University, states that from 1980 to 1986, building materials were down 58 percent; food and groceries, 20 percent; implement dealers and small businesses, 74 percent; cafes and eating establishments, 50 percent, and our overall loss of sales in Ringgold County was 35 percent. Just in the last year, we have 34 less sales tax permits. Land values have dropped 66 percent in the last 6 years, from $1,001 to $388 per acre.

We feel a resentment when we read in the newspapers about large Government payments to large corporate farms. The cheap food policy of the past has literally driven the American farmer from the land in a way that's not too unfamiliar from the way we've treated the American Indian. Gentlemen, we don't want to be on a reservation, we want a price in the marketplace. [Applause.]

Will history record that you were in power when we needed help saving our family farms? I don't mean corporate dynasties, I mean the simple family farms with people living on their own land and not functioning as migrant workers. In our area, it is the corporate farmers who plowed fence row to fence row and abused their land.

I'm a kindergarten teacher, and I know the best crop that we produce is children, and I've worked with children who had developed no roots and children whose roots have been severed. I know the people out there fighting to stay on the land don't need a degree in education to know that's where they want their children nurtured. What we need in America today is more people on the land and not less.

My last question to you: Is this the generation that will let the production of our food supply and the diverse ownership of our land slip into the hands of a few?

Thank you. [Applause.]

The **CHAIRMAN**. I agree so much with what you say, and especially about your concern for the children. One of the reasons we're here is we want to know that families who have farms can say to their sons and daughters, "This is a life that's attractive to you, and should be. You can use the knowledge you've gained from us and the generations before us; it's worth staying here on the land." What's valuable to you in Iowa is valuable to me and my family in Vermont.

Mr. Blazek, you are next.

STATEMENT OF DICK BLAZEK, CORNING, IA

Mr. **BLAZEK**. Thank you, Mr. Chairman.

My name is Dick Blazek, Blazek Ford Tractor, Corning, Iowa.

February 1, 1968, 5 months after I returned from Viet Nam, I bought my Ford tractor business.

I started my implement dealership in 1968 with three employees and did a $100,000 business. There were five implement businesses in Corning at that time.

In 1980 we did $3 million in business with 14 full-time and part-time employees. Corn was over $3 a bushel and beans were over $7 a bushel.

Today, 1987, I have one employee who has been with me ever since I started. I'll soon be locking my front doors. Corn is $1.40 a bushel and beans are $4.40 a bushel. There will be one implement dealer left in town.

In 1979 I applied for an SBA loan because my line of credit, which had been on a monthly basis with my local bank, had been terminated. With this SBA loan my interest rates went from reasonably high rates to interest rates which could be described best with the use of the word "predator". Instead of paying lower interest rates, my interest rates were much higher. For the past few years, these high interest rates and the downturn in volume of sales because of the farm economy, my profit margin to survive has been destroyed. On top of these elements were three other significant factors. Repossession of farm equipment which was sold and financed during the good times of the late 1970's due to the nature of my franchise agreement with Ford tractor, this left me as a full recourse dealer, totally responsible for all balances due on all repossessed equipment. I was actually a co-signer on all of my customers' contracts. Loss of accounts receivables because of customers' bankruptcies added up to a significant amount, to the sum of $50,000. High unemployment taxes were a large monthly expense. My unemployment rate was $6.33 for $100 of gross payroll for quite a while. This was on nine payrolls. I was the man responsible for selling the farm equipment for the companies which I represented, making money payments to the bank, and providing my community with a dependable dealership. My ultimate reward for providing these services is reflected by the fact when push came to shove, I ended up with nothing.

Most of my past employees have found local jobs, which presents a reflection on how our community is doing. Our community is in belt-tightening phase and has been for 3 or 4 years. We're all hoping that the farm economy will turn around before all of our community assets have disappeared. Probably the best example of asset depletion is our school enrollment, which has dropped from 740 to 640 enrollment in the past 6 years. These are the children of farmers, my former customers who have left Corning and Adams County. Again, our Corning community is holding together pretty well because of several nonagriculture industries. But our ag industry, our farming community, has a long way to come back and it has to turn around first. Thank you. [Applause.]

The **Chairman**. Thank you, sir.

Our next witness will be Charlotte Reif. Reverend Reif is a pastor of a Methodist congregation in Guthrie County. She has been in rural ministry both here and in North Dakota. The floor is yours.

STATEMENT OF REV. CHARLOTTE REIF

Reverend **Reif**. Mr. Chairman, and members of the Senate Agriculture Committee, welcome to Iowa, and I thank you very much for coming out here and listening to the voice of the people.

As you stated, I'm a country preacher. I serve a 2-point yoke in Guthrie County, both rural churches. I have the distinguished honor to be here today from a community that just 2 weeks ago was put on the list of endangered species by none other than the distinguished banker, the president of Bankers Trust, John Crystal. He said that Bayard was indeed an endangered species. Well, I want you to put yourself in my shoes, gentlemen, I'm a preacher. I'm supposed to preach the good news. I'm supposed to preach "fear not," and on Sunday morning I need to walk into the church and face my people who have been told that they are now members of an endangered species. I'm sorry, of an endangered species, so that's tough. I'm supposed to preach good news.

So what I told them was, you know, "Folks, that's not all bad because if you're on that list of endangered species that means that you're precious and that they can't kill you." [Applause.]

Now that was good for some levity and to cheer everybody up but, you know, our friend John Crystal is a very wise man. And truth is one thing and telling it another, and so this afternoon I have to share with you, what is truth. And this is what it's like out there. Members of my congregation lost the implement dealership—one of the biggest and the best. And now when you drive by it, it looks different. That's because they had to cut holes in it to put the grain driers in, and that dealership building now holds corn. Do you hear the irony in it? Not only is it ludicrous but, gentlemen, it's obscene. This is what it's like out there. Folks can't retire, folks that are 62 years old and have worked all of their life, lose everything that they have. Wives turn to Valium, husbands to alcohol. There is suicide. There's abuse. Kids have no hope and they have no job. Mental health workers are overworked and the funds are cut back. Bankruptcy judges collapse under stress and grief, friends and neighbors are forced to pick each other's bones at farm sales. Groceries and hardware stores have long since gone away. Don't waste my time, folks, I have only 5 minutes. Who out there—quickly stand up—has lost a farm, has lost a business?

Raise your hands. Who has lost a farm? Who has lost a business? Who is afraid of losing a farm? Who has kids that are going into agriculture? Is anybody here from a community where you have lost a cafe, where you have lost a grocery store?

Anybody here lost a bank?

Anybody out here on food stamps?

Anybody here have to drive 50 miles for a part when you break down in the field? [Applause.]

In Bayard alone the last year, we have lost 31 percent of our taxable sales, 31 percent in Bayard alone, so maybe John Crystal is right.

Where is the church in all of this? Well, the church is still here and we're still preaching the resurrection and we preach life, not death. In the past year alone, the United Methodist Church collected $190,000 for Neighbor Helping Neighbor, which is a special fund, just to help rural folk who need glasses, who need to go to the dentist. But the irony of it is, in this same period of time, we have been designated for advance special offering. Now that's mission money that folks out here in the country used to send to the big cities for poor folk. The giving was up in the church this past year. That's for two reasons. Number one, this was the last year to get a tax break on charitable giving so I don't know what is going to happen next year.

The other reason that giving was up is that maybe the church is the only decent investment out here on the land. We also have to understand that all of our church tithes are on borrowed money. One of my people told me they went in and applied for family living and the banker said, "What is this amount?"

And they said, "That's my church tithe."

And the banker said, "Uh-huh," so we have to face that fact.

As people move away from our communities, the church moves away because the people are the church. The church has been asked to pick up the gap that the Government has left. Government has cut back on welfare, and we're stretched to our limits, gentlemen, we're stretched to our limits.

Well, why is it like this? I'll tell you why it's like this. Because the Federal Government have been bad managers.

The Federal Government has spent money on things that it can't afford. It spent its money on bombs that can kill us 22 times over and we can't afford it. We're being held hostage out here in rural America by arms manufacturers. Now maybe we can make a deal. A precedent has been set. We're simply asking for mercy out here. Now the Federal Government has had mercy on big business. The Federal Government has had mercy on the big cities and on the banks. We're worthy, have mercy on us. I want you guys to go back to Washington and I want you to tell Pharaoh to let my people go. [Applause.]

Senator CONRAD. We produce good preachers in North Dakota, don't you think?

The CHAIRMAN. I was going to say, I think we have produced a good panel overall.

I've said several times already, what I've just heard has made the trip worthwhile and that's probably because out here in the heartland of this country we hear reality. This panel itself also makes it worthwhile because we as a group wouldn't hear you in Washington, we really couldn't. It is a very rare situation to get five Senators together when we've all got six or seven other committees meeting at the same time. In a typical Washington hearing, you'd probably have to stand in line behind the so-called experts and so we wouldn't hear you. I'm glad we did hear from you today. I want to thank you.

Reverend Reif, you asked how many towns have given up a bank, have given up one type of store or another. I might ask this: How many of you have given up hope? Now I'm serious.

A VOICE. No way, we are going to fight.

The CHAIRMAN. How many of you are willing to keep on hoping and look for a solution with us?

Tom, I yield to you.

Senator HARKIN. Thank you very much, Mr. Chairman. We will go on with the panel.

The CHAIRMAN. Our next witness will be Farris Gray. Mr. Gray farms 800 acres in southwest Iowa's Taylor County. He runs a grain and livestock operation. He served on the RCD and local conservation boards and, Mr. Gray, it's all yours.[1]

STATEMENT OF FARRIS GRAY, BEDFORD, IA

Mr. GRAY. Thank you. It is indeed a pleasure to speak to you today concerning agricultural legislation as it relates to our farms.

I'm afraid this is going to be kind of a hard act to follow here, a Methodist minister, but I guess it could be worse, the Methodist minister could be following me.

While working on our farm it has been—we have felt a tremendous pressure these past 5 years, and it hasn't always been easy. But, as you say, we still have hope, and that is the reason we are here today is to try to do something about this.

In 1987 farmers of American are failing because we are receiving the same price for our products that we received 10 years ago, and we are paying prices of 1987.

My wife and I operate a medium-sized farm and it is these farms that are feeling some of the most severe difficulty under present economic policies. My wife has now gone to work full time in the Bedford school system. Our son-in-law, who came into farming with us in 1980 after graduating from Iowa State University with a business economics degree, had hoped to take over the family farm but, as you know, things have not been the best there, so now he is a vice president of a bank in eastern Iowa.

The land we purchased, we did in the early 1970's before the land prices went up so high.

---

[1] See p. 302 for the prepared statement of Mr. Gray.

During the past 5 years, our net worth has decreased by 70 percent. A few more years with this rate of decline will find us insolvent. I am quite confident that 5 years ago we could have sold out for well over $800,000, and this was what we were looking forward to for our retirement. I am 57 years old and I do not have time to make a lot of money back. Also, this is our retirement. We don't have other resources to rely upon.

Today, as far as monetary value, we are losers.

In 1977, I was named as one of five Master Farmers, a title representative of good farm managers. Now, 10 years later, we struggle to reverse the direction of our farm toward insolvency, a direction not caused by poor managment, as many will have you believe, but in a direction resulting from the Federal Reserve's tight monetary policy, the massive budget deficits resulting from the 1981 tax bill, and the 1981 and 1985 farm bills.

Our direction toward insolvency is not the exception. We are representative of rural America. Our county ASCS office reports that, over the past 5 years, 40 percent of the farmers in our county have gone through bankruptcy, forfeiture, foreclosure, or curtailed farming operations to seek off-the-farm jobs. For a recent survey, my wife and I identified 30 young family farms that have left our area seeking employment. This is a bleeding of human resources. Our county ASCS office predicts another 15 percent will not receive financing this year. Some will tell you that the farm economy has bottomed out and things are starting to improve. I am sorry to say, I cannot be that optimistic, especially when told that we must lower our prices so we can export more. Under such a policy, our exports have declined 40 percent in the last 2 years.

Land prices in Iowa have declined nearly 16 percent this past year. Two banks in Iowa have already closed. As I planted and harvested our 1986 crop, I felt as though I were farming for the Government. This is a feeling I didn't relish, a feeling that I had never felt in my 39 years of farming. As with many of our peers, we are very dependent on the farm program for our income. If the target prices and loan rates are reduced, we will no longer be able to have a positive cash flow. I am proud to be an American farmer but I would rather farm for parity than for charity.

Another serious problem we must address is the excessive interest rates being charged by the Farm Credit Services. Even though we have been current with our payments of principal and interest, the current effective rate of interest we are paying is over 13 percent while the bank from which we obtain our operating money charges only 10 percent. I do not see any moral justification in the fact that the Farm Credit System will finance loans to new borrowers at 9 percent interest and yet continues to charge us 13 percent.

If the Farm Credit Services would lower interest rates to all borrowers, most would be able to pay their interest and their principal and, thus, would not have to foreclose on the land. This would keep many of the present owners on the land and also help stabilize the price of land.

The only way we are able to keep our payments current is by curtailing the replacement of machinery and foregoing any capital improvements. I think Mr. Blazek can attest to that and so can Mrs. Wurster.

This survival hurts rural community businesses, the manufacturing industries, as well as the labor force. Research done by Iowa State University reveals that when net farm income increases, the main streets of rural America share in the benefits. Our town is feeling an inverse theory of this. A net loss of 29 businesses in Bedford during the past 3 years is a clear reflection of a suffering agricultural economy, an agricultural economy suffering from a nonprofit malignancy, a malignancy which we believe is within the power of our policymakers to safely remove or treat.

At this time, 45 percent of the taxes in the county have been paid. Last year, only 88 percent of the taxes were collected in our county. This tax shortfall creates problems for our schools and our county government. The root of the problem is low farm income. Between 1942 and 1952, we had 107 percent of parity. The Government was able to pay off the debt of World War II, we had full employment and little inflation. Can you believe that during the depression years from 1931 to 1934 we had an average of 60 percent of parity, and from 1982 to 1985 the average was just 56 percent? This means that farm products on the average only buy nearly one-half of what they would have at 100 percent of parity. The Iowa Farm Business Association——

The CHAIRMAN. Excuse me, Mr. Gray—and I apologize for having to do this because you have a very good statement which I have read, all of which will be in the record. I will have to stop your testimony at this point only so we will have time to go back to ask you and the others questions at the end of the panel. I hate to do this because it is an extremely good statement.

Mr. GRAY. Thank you. We appreciate you being here.

The CHAIRMAN. Well, I appreciate you taking the time.

The next witness is Marlin Langner who is a farmer from Dickens and has been active in the area of mediation work with farmers and lenders. He has also assisted farmers in receiving local community services. Sir, it's all yours.

STATEMENT OF MARLIN LANGNER, DICKENS, IA

Mr. LANGNER. First of all, I would like to thank you for this opportunity to give my testimony at your hearing. I'm both honored and eager to take part.

My name is Marlin Langner, and I'm a proud fourth generation farmer. My wife, Kathy, and I started farming 22 years ago with the aid of the FmHA loan. We now farm 300 acres near Dickens, Iowa, in Clay County. I presently serve on the school board, church council, and have served on an elevator board. We have three sons, one which is in South Dakota State, one is a freshman at Estherville College, and Keith is a Junior at the Ruthven-Ayrshire High School.

I'm not here to talk to you about statistics and numbers, as you should already have those. I am here to tell you what has happend to me and many other farmers like myself. I like to call it war games. For the past several years, we have started each day working on a plan of attack for the day, the week, and the year. How will we survive? How will we hold our marriage and our family together? Can we as a family stand the pain and the stress? Will we have the money to put food on the table, heat our house, and to pay the light bill? Can I, a proud farmer, find the courage to walk into the Department of Human Services and apply for food stamps? Some of us have done this and others cannot. There's many others in pain out here also.

One of my boys, he just couldn't stand the pressure any more when we were having a lot of our hard times and he ran away from home for 30 days. I had another boy, during the hard times, thought of going out to the grove with a shotgun, but through the help of Mental Services and a lot of good neighbors, and people caring, nothing happened through all of this.

It's not proud for a farmer to go into Human Services, and I did, to get food stamps. My wife said she wouldn't do it. I said, "We don't have any money for food," so I went in and applied for food stamps and we were eligible, and we got it. The first time we went to the grocery store to use them, we picked up our groceries in a cart, went up to the checkout counter and my wife said, "I don't feel good. I've got to go out to the car." She left me standing there to pay for it. A farmer out here producing food to feed the Nation and the world has to buy his food with food stamps. I think it's terrible.

We went to FmHA again and applied for another loan, a farm ownership loan which second mortgaged our land to them. It took 9 months to get it, which I understand it takes a long time to get one. We're one of the lucky people in Iowa who did get one. There's many of them out there that applied, been turned around at the counter when they came in to apply for it, saying, "We don't have any money." Well, maybe they don't have the money at that time but if they would apply for them and go on, the money would be there maybe down the road for them. And the FmHA offices tried to push the people back out the door without even applying. Two years after we got that loan, we applied for a farm operating loan with them, and we got denied that loan. We appealed it clear to Washington, D.C., and it was reversed. But at that time, I said I didn't want the money because my mother-in-law was very nice. She said, "I can get 10 percent from you instead of getting 5 at the bank." She said, "I'll loan you the money to put your crops in."

And I do go out and help a lot of farmers set up their cash flows, and I try to help them when they go to the bank to talk to the lenders, try to reason with the bankers to show different things that will work for them.

I had this one fellow that I had been working with—he was working with the Federal land bank—and he wanted the interest buy-down. They had the plan all set up and it was going to look good for him. He was going to have his payments be less, and he was ready to sign the papers and the Federal land bank says, "Oh, no, let's have you pay more principal; since you're going to pay less interest, pay more principal." The payment was clear back up to where it was when he started. It did not help him one bit. I say if we're going to bail out the Federal land bank, let's bail out from the bottom up and have it trickle up instead of trickle down.

We stand in line at the ASCS office to get our welfare checks. The way I feel about it, I'd like to see a farm program that's going to give us a price for our crops so we don't have to seal our crops.

I had one last thing. A guy named Charlie. He's 63 years old. He has lost everything. He was talking to me the other day and he said, "Marlin, I'm a failure."

And I said, "No, Charlie, you're not a failure. Your Government policies have failed you."

How many more Charlies are out there?

A VOICE. Then our Government thinks they need a raise.

The CHAIRMAN. Thank you very much, Mr. Langner. I know that testimony like that is not an easy thing if you were testifying in the relative anonymity of a hearing room in Washington, D.C. It must be more difficult than if you were testifying back home. Believe me, it's important. It's important you're willing to do it and that's why we are here.

Mr. LANGNER. I just felt that it's something that you needed to hear.

The CHAIRMAN. It is something important not only for us to hear. In many ways you're preaching to the choir here, but it's important for the rest of the Senate to hear. And these hearings, the rest of the Senate will hear, I guarantee you that.

The next witness is Lindsey Larson who farms 400 acres in Greene County, Iowa.

Where is Greene County from here, Tom?

Senator HARKIN. It's northeast of here.

The CHAIRMAN. Mr. Larson is here with his wife and young son. My notes say you are in grain and hogs, is that correct?

Mr. LARSON. Correct, sir.

The CHAIRMAN. Go ahead, sir.

STATEMENT OF LINDSEY LARSON, JAMAICA, IA

Mr. LARSON. As you said, I am Lindsey Larson, a grain and livestock farmer from Greene County. It is in west-central Iowa. I, too, want to thank the committee for the opportunity to discuss my concerns with the current farm commodity programs and some proposed changes in those programs.[1]

I would first like to focus my remarks on the 1985 farm bill and the way it's been implemented. I'll be the first to admit that it's not a perfect bill. But I think it contains some basic goals which many farmers in the Midwest support today. I believe the current legislation provides an opportunity for us to do three things: Reduce our carry-over stocks, expand our exports, and provide some income protection to us farmers.

The number one thing out here that I think the farm bill does——

The CHAIRMAN. Excuse me. I have been a little bit lenient on the gavel as far as applause is concerned because I think it is important to the committee to realize the definite feelings in some of these areas. This will not come out of your time. We'll give you extra time on this. But I should note that we do operate under the same rules we do in the U.S. Senate, and that is, anybody testifying before our committee is a guest of the U.S. Senate. It is our rule, and certainly my rule as chairman, that anybody who wishes to testify will be heard. They will not be either shouted down or contradicted by anybody else while they are testifying. We'll ask questions. We'll make up our minds based on that, but we believe very strongly in the right of free speech. Every person who has asked to testify is doing so as a guest of the Senate and will be able to testify.

---

[1] See p. 304 for the prepared statement of Mr. Larson.

Go ahead, sir.

Mr. **Larson**. Thank you.

As I said, the number one thing that I like in the 1985 farm bill is the price competitiveness and the loan rate. I want the chance to compete on the world level for markets to sell my product. Now, for example, in the last 3 years, I have lowered my costs of producing a bushel of corn over 35 percent. I can now realistically produce that corn for under $2 a bushel and I think I can lower it even further in the coming years. But another aspect I also like of the 1985 farm bill is continuing the target price concept which allows producers to change, to adapt to that continuing climate of lowering production costs. I would urge the committee to be against any further reductions in those target prices other than those already in place.

Now another important aspect of the 1985 farm bill that I like and I think almost has unanimous support is the Conservation Reserve Program. I think that program has a two-fold potential of reducing our surpluses and our land base, and it's an opportunity to seed down permanently some of the more erodible ground, much of which occurs in Iowa.

The price competitiveness provided in the 1985 farm bill—I think if you'll look at the last marketing year—is definitely turning the export picture around. The last marketing year, soybeans, rice, wheat, and cotton have all had a dramatic turnaround in export volume, an increase. While corn has not enjoyed that increase, I think it has stabilized and is turning the corner. What I think is, though, we sent a powerful message to our competitors that we're interested in exports and we still will be strong competition for them in the future. If we stick with this message, it will cause farmers in other countries to shift land out of feed grain production to other uses, which will help the world-wide surpluses. Examples of this are three countries already, Australia, Argentina and the many countries in the European Community which are looking at acreage set-aside programs, some of them for the first time.

Now, I'm opposed to any type of mandatory production, or acreage controls, or marketing quotas. I think programs requiring mandatory production or market controls will destroy our farm exports. I think the proper role of government today is to allow us to compete fairly in the international marketplace, not to take us out of that market.

Considering the current level of carry-over stocks and the negative impact of unrealistic high loan levels on both the domestic and export markets, I think farmers would soon be forced to idle 40 to even 60 percent of all of the crop acres. If that happens, then you will be underutilizing machinery and equipment and that will be an incentive for those farmers to increase their acreages. Incentives mean existing farm units will become even larger than they are now and young farmers, or beginning farmers, will have little or no chance to begin farming.

Another area are those livestock feeders who feed more grain than they produce. In essence, they're net grain buyers. Under mandatory production controls and mandated high grain prices, those livestock feeders would be forced out of business.

Now, I think we've sent a signal to the rest of the world through the 1985 farm bill that we intend to recapture a larger share of the marketplace. Mandatory production controls will send just the opposite message. We'll be telling the rest of the world we aren't interested in competing. If we try to compete by export subsidizing, then we'll require huge Government surpluses and expenditures. And why should we subsidize exports going to a foreign buyer or processor when our domestic buyers or processors will have to pay that high Government mandated price? It seems to me that type of program would drive our domestic processors right out of business. Our current difficulties in agriculture shouldn't obscure our long-run picture, that agriculture does offer opportunity.

Our universities, such as Iowa State University, should receive additional funding to carry on new and expanded ag research. I really believe agriculture without substantial research is agriculture without a future. Thank you.

The CHAIRMAN. Thank you very much, Mr. Larson.

Our next witness is John Sellers. He has a grain and livestock operation in Wayne County, Iowa. My notes say that you have been a leader in southern Iowa in soil conservation work. Mr. Sellers, it's all yours.

STATEMENT OF JOHN SELLERS, JR., CROYDON, IA

Mr. SELLERS. Thank you, Mr. Chairman, and Senators. Thank you for the opportunity to speak to you today.[1]

I'm a farmer in northeast Wayne County which is in the extreme south-central part of Iowa. I raise beef cattle, corn, oats, soybeans, and my best money maker is PIK certificates.

The CHAIRMAN. I am sorry, I missed that one. What was that again?

Mr. SELLERS. PIK certificates.

The CHAIRMAN. I see. We're going to have a hearing on that, too.

Mr. SELLERS. And probably my lawyer's standard of living. [Applause.]

I would like to direct my comments toward farm programs, soil conservation, and our environment. The Food Security Act with its Swamp Buster and Sodbuster provisions, and the Conservation Reserve Program, or CRP, are a giant step forward in the effort to protect our soil and water.

The Conservation Reserve Program is working just like everybody envisioned it in some parts of the country. In the grasslands of the West, in the pine forest down in the Southeast, it's working just like everybody outlined it. You get into southern Iowa and it's more like a working model of Murphy's Law. The CRP, just as the annual program, rewards the individual who rapes or mines the land, and it penalizes the producer who has been a steward of the soil. Qualification for CRP is based on cropping history and soil loss. A better qualification would be the soil erodability index, which is the tendency of the soil to erode if it's cropped. The man who has managed land properly through long crop rotations, contouring, reduced tillage, has gotten his soil down to T, he doesn't qualify for the CRP. Where the guy that has been out farming every inch, plowed it in the fall, you name it, he is qualified.

---

[1] See p. 306 for the prepared statement of Mr. Sellers.

The Sodbuster provisions of the Food Security Act are figured on an erodability index while the CRP is figured on crop history and soil loss. The result is that the SCS people on the same man's land have to figure it two ways, two different sets of paperwork, to get the job done so the man can sign up. It doesn't make sense to me.

Both the farmers and the technical people at the field offices, that is ASCS and SCS, need to have clear, understandable and timely rules available to them so they can administer and comply with these programs.

Yesterday down at Wayne County, you couldn't pack another farmer into that ASCS office, and nobody knew what was going on. They haven't gotten the rules soon enough and they don't understand them. It's terribly frustrating to us, those soil district commissioners and county committees trying to meet the needs of our neighbors when we read about it in the paper before the rules get down to us. They're constantly being updated. We need to get the thing in black and white so that we can understand it and get it to the farmers so they can plant.

The USDA in its attempt to go into competition with its own programs this year has created some other problems in my area. This latest incentive of payment for reduction in corn base has dramatically increased speculator activity down in my county, and it's created a lot of abuse of the rights of both the tenants and distressed landowners who are in varying degrees of mediation, foreclosure or redemption. I feel that the eligibility and that the appeal process, especially with lenders involved, should be very closely scrutinized. The USDA also shot themselves in the foot calling alfalfa or seeding an agricultural commodity, and making it eligible to go into the CRP when it won't qualify from a soil loss history. It would qualify if the Erodability Index were used. So, guess what land is going to be going back in production the most erosive and what was really meant to go into the CRP?

In closing, I would urge you to charge the USDA with the responsibility of being responsive to localized geographical needs in utilizing its programs and to start using some common sense whether it's qualification of land for CRP eligibility or set-aside where the set-aside acres have got to have been cropped 2 out of the last 3 years. You can take stuff that's in rotation pasture, you can plow that right up and put it into corn but you can't qualify for set-aside. You've also got to be looking at allowing farmers to plant food plots, you know, for wildlife on this CRP land. The dollar that the hunter brings into southern Iowa will turn seven times. Well, it's great to build him a house with your government wildlife plantings but then you don't feed him. It don't make sense.

Also, they need to look at the bottom line return at the end of any of these programs. Your CRP, supposedly, is permanent. In 10 years it's all going to get plowed right back up and go back into production. You need to look at your bottom line of this or it's going to go right back into cereal grains. Thank you very much.

The CHAIRMAN. You've raised a point which will require one of our subcommittees under the jurisdiction of that to be fairly active. I intend to pass that one on. I know how important good soil conservation policies are in my own State where we do not have anywhere near as much tillable soil as you do and it should be that for all farmers. Certainly this is a program that is so well intentioned and has had so much support in the Congress, I want to make sure it works. You may be hearing from people on our committee for further information, so I thank you for being here.

Corky Jones is a farmer from Brownville, Nebraska, who raises both corn and soybeans. Mr. Jones, it's all yours.

STATEMENT OF CORKY JONES, BROWNVILLE, NE

Mr. JONES. Thank you, Senator.

I'm going to explain just a little bit about my lifestyle, and so what I've got to offer you as testimony today will have a little more credit and understanding possibly from the Senate committee.

I do not have a prepared statement. I left Washington, DC, just last night to get here in time to appear before you today.

The CHAIRMAN. Now that's a switch. We came out here from Washington to hear you.

Mr. JONES. But I'm also an activist, and being an activist I have spoken across this country and have spoken in over 30 States at over 280 meetings, that included meetings and speaking engagements to educational sources, to farmers, ranchers, labor unions, and all modes of lifestyle. And this is where I can come from with what is out here in America today. I can't explain to you, the panel, how overly important it is for you to be here today and how many phone calls and contacts I have had just in the recent week after finding out you are going to have these hearings and these meetings because you are the hope. You are the hope right here on this panel that literally hundreds of thousands are clinging on to, desperately clinging on, because we have got to have a change in agriculture policies.

I have traveled hundreds of thousands of miles, and I have left my family again and again, and again. I've got three sons in my operation that are just begging.

We've talked about family farms and family farm operations. I am it. I'm a typical family farm operation across this Nation and we're being annihilated. We're being discriminated against because we have had failing farm policies again, and again, and again from 1981 on.

We repeat our errors with a failing farm bill from 1981 to only make it much worse with the 1985 failed farm bill. What we are ending up with is dreams and hopes shattered; suicides, murders, unemployment. The good jobs are gone.

I toured Iowa, just over at Marshalltown a couple of weeks ago as I spoke there, labor is looking at you, Senator Leahy, today and your agricultural panel for their ray of hope because they're fully aware of the fact that they're not selling their output. They're not selling the industry. The foundries are not purchasing because the largest industry in this Nation cannot buy due to failing policies brought about by failing past leadership. It's just that simple.

Now, I've got a wise father who is still living today, and every now and then I, like all of the rest of us, go back and find out what's my next step for tomorrow because he's gotten smarter and smarter, and smarter ever since I've come back from the service, from Korea. But he said, "I'll tell you something. If you do condemn a person or you condemn an entity, then have solutions that are better. Well, we've got a failing farm bill and we have got failing solutions that have been repeated by failures, but we do have a solution that is much better. We have got a farm bill that is formulated and drafted, and put together by farmers and ranchers across this Nation. It's called the Family Farm Act, and Senator Tom Harkin is the sponsor.

This farm bill is basically the first farm bill that was put together by those of us that our future is designed from. The farm bill that we're living under today, the 1985 farm bill, was put together by the grain trade, the processors, the brokers, the Fertilizer Institute and some other organizations that were not looking for the future of the masses, definitely not looking out for the economy of this State or, in fact, the economy of the Nation nor the future of the Nation but, rather, for the interests and gains of a power hungry special interest group. That's why it has failed for America.

I am an American and I am proud to be an American, but I think it's time for all of us to look and put America first, America first. Let's be Americans. Let's buy American. We also have to—I'm convinced we've got to build a better trade policy. We can no longer live under the foreign trade policies. A foreign trade policy without a good agricultural policy will not work nor will a good agricultural policy without a good, sound foreign trade policy that reduces the trade deficit. They must go hand-in-hand.

The solution, we must have a price, a price on a parity level, a price that's with varied structure, price that gives us the capability of having a profit, not from the taxpayers but from the marketplace. Let the purchasers of our products pay that price through legislation, and that is just exactly where it should be, whether that purchaser is an exporter, whether it's Russia, or the processor or the feeder down the street. When we talk about exports, the first thing we continue to hear about is where would we deal with our exports and or other exporting countries that are capable of exporting or cut their price? They will, and always have, underbid us 5 to 10 cents a bushel, but I am asking you, Senators, let's look at it this way, I would much rather them have me underbid them by 5 or 10 cents a bushel with the price of corn up at $3.50 instead of $1.50.

I submit to you that my thrust will continue to be as it always has. I am here to help. I will come to Washington again. I have been there over 120 times, and I'm not a paid lobbyist. I'm not salaried for any of this other than the fact that I'm greedy enough that I'm trying to preserve our operation which is just on the brink of collapse, just like everybody else's is. I'm an American looking at it, and I praise you folks to the highest for being here because the world is looking at you for a ray of hope. Thank you very much.

The CHAIRMAN. I thank all eight members of the panel for the time you have taken. I know that it's one thing when some of us prepare testimony, we're used to it, it's our business. I know all of you had to put a lot of time into it.

If you'll allow me just one personal note, Mrs. Wurster, the children—it's kindergarten?

Mrs. WURSTER. Right.

The CHAIRMAN. The kindergarten children in this area are very fortunate, let me tell you that.

I will yield first to the ranking majority member of the Senate Agriculture Committee, Ed Zorinsky, Senator Zorinsky.

Senator ZORINSKY. I would yield to the Senator from Iowa who has more questions than I do on this issue, and then I will ask my questions.

Senator HARKIN. Thank you very much.

The CHAIRMAN. You have to understand, in the Senate, we go through this very careful, elaborate protocol of distinguished colleague here and a distinguished colleague there and we yield back and forth to each other. Then afterwards we really mix it up, so go ahead, Tom.

Senator HARKIN. Thank you very much, Ed, I appreciate that.

And thank you, Mr. Chairman.

I first want to thank you all for very excellent testimony covering the whole gamut of everything. Again, I think it indicates that there are differences of opinion in the agricultural community; that should come as no surprise to anyone. I've often said, Mr. Chairman, one of the reasons I really love representing farmers is because they always agree on everything.

The CHAIRMAN. Come to Vermont.

Senator HARKIN. It makes life real easy.

But I thank you all for your excellent testimony. I appreciate it very much, and some of you came a great distance and I appreciate that.

I want to ask Wayne County, John Sellers, I want to ask you about this conservation reserve. That's an interesting point you made about using the soil erodability index rather than using crop history and soil loss. That's just an excellent point that you make. What you're saying is that soil erodability is used for the Sodbuster provision but not used for the conservation reserve.

Mr. SELLERS. Correct.

Senator HARKIN. And if any of you—and we're going to go to questions from the audience if we have some time. If any of you have some other thoughts on that, I would like to know. That is really an interesting point. We might look at changing that. That might be very good.

The second thing is I've just heard lately that some farmers last year bid their land into conservation reserve. And let's say—I heard one bid of about $86 an acre for 10 years to go in this year, in 1987. Now last month the Department of Agriculture has said that they don't have enough land in the reserve compared to what they want to get, so they're going to give a bonus of about $2 a bushel. You figure a 100-bushel average and that's about $200 an acre, a bonus, a one time bonus to bid it in, and so I have farmers who bid it in last year in 1986 and they're saying, "How about me?

Why don't I get a bonus, too? How come just those who procrastinated, those at the last minute, get the big bonus," and it strikes me as being inherently unfair. If any of you have heard any other instances like that, let me know. I'm starting to get some mail and phone calls on it. But I liked your suggestion on the soil erodability.

A VOICE. Say, Tom——

Senator HARKIN. Well, we're going to get out there in just a second. Let's finish with the panel.

Marlin, I also appreciate your talking about the Federal land bank bailing you out from the bottom up not from the top down. We just had a hearing in Omaha about that, and I think that was the sentiment there also is that—not just save the bondholders but also let's talk about saving the farmers as well as just the bondholders who are in that.

Mr. Larson, I wanted to ask you: You made the point that—in our exports that—you said Australia—and correct me if I am wrong because I didn't see it in your written testimony—you said that Australia, Argentina, and the European Community were cutting back? If you have any indications of that, I would like to ask you to supply it for the record if you have any figures on that.

Mr. LARSON. Yes, I do. I have them with me here. I said they're engaged in looking at acreage reduction programs and I believe, if my figures will bear me out, that Australia is engaged in a—somewhere between a 7 and 10 percent set-aside.

Senator HARKIN. How much?

Mr. LARSON. 7 to 10 percent for the coming crop year.

Senator HARKIN. Seven to 10 percent set-aside. Because I just saw Argentina has completed its wheat harvest and their crop year was slightly more than it was last year so evidently they haven't cut back.

Mr. LARSON. For the coming year.

Senator HARKIN. Oh, they're going to do it for the coming year. I'd like to see what they're going to do for the coming year.

I had a talk with a farmer from England just the other day, he was with our committee, and he is part, obviously, of the European Community. He farms in England. He gets 130 bushels an acre on his wheat and he intends to grow as much as possible next year, so at least the European Community hasn't cut back. But I think maybe the time might be right. I ask you this: Do you think the time might be right for the producing nations like the United States and the European Community, Australia, Argentina, and Canada to maybe get together and to talk about reducing our production somewhat and reaching multi-lateral agreements to reduce production a little bit among all of the nations of the earth? Do you think that might be a possibility?

Mr. LARSON. Well, I think it's a possibility. Anything is a possibility.

Senator HARKIN. Would you like to see that happen?

Mr. LARSON. If it was treated equitably, if we were treated equitably as a country because I know, as trade negotiations have gone on in the past, it's been difficult to get an equitable settlement. I know the recent settlement with the EC over the Spain-Portugal disagreement on the corn, where the situation was reached and we settled, but the American corn farmer did not get the settlement that he probably wanted out of that. The $4 million bushel settlement was only—well, it was not that figure. I can't quote it right now. But if we're treated equitably, you know, I think we could look at that.

Senator **Harkin**. Because part of the bill that I've introduced does speak to that. It says the President has to sit down with these other nations and to start a process of negotiating for everybody to reduce their production a little bit.

One last thing, Mr. Chairman.

Mr. Larson, you said—and again I don't see it in your testimony, but correct me if I misunderstood you—did you say you could now produce corn for less than—how much a bushel?

Mr. **Larson**. $2. My cost of production is $1.89 this coming year.

Senator **Harkin**. Your cost of production is $1.89.

Mr. **Larson**. Yes.

Senator **Harkin**. So you could sell it for $1.90, is that what you are saying, or what? I mean, you said you can produce it for less than $2, $1.89. What is your cash rent? How much do you pay in cash rent?

Mr. **Larson**. I'm not paying cash rent. I'm a crop share farmer. Cash rents in our area are going anywhere from $85 to $95.

Senator **Harkin**. Do you have any land costs figured in there or are you buying land?

Mr. **Larson**. Yes, I do.

Senator **Harkin**. You do have land costs?

Mr. **Larson**. I used an $86 figure for land costs.

Senator **Harkin**. On that $1.89 a bushel.

Mr. **Larson**. Yes, I did.

Senator **Harkin**. How much do you think you should sell it for more than that? I mean, obviously, you can break even but you're not going to be able to service your debts on that.

Mr. **Larson**. Well, under the current program, I can, though. If I put that corn under loan and then receive the deficiency payment, I earn well over a break-even price.

Senator **Harkin**. But we are being asked this year under the present budget to cut the target prices 10 percent per year over the next 3 years which is a 30 percent cut in target prices. Would you support that?

Mr. **Larson**. No. I support the reductions that are already in place, and I believe that they are to remain the same this year. Correct me if I am wrong. They are to remain the same this year, and then the next year they would start a reduction in target prices.

Senator **Harkin**. Well, this year they're locked in but next year is when the 10 percent reduction begins. But let's look at the future, there's something for us to negotiate with other countries down the road. I'm just saying from now until 1995, we need a breathing spell and I don't see any way to get it other than through some supply management, but I'd be glad to give you a chance to respond to my comments on it.

Mr. **Larson**. Thank you. I guess I'd just have to say that I can't predict the future better than anyone else here and that all we have to go on is history, and the past, and I think that history will tell us that every time that we have had a loan rate or a price for our product that has been competitive on the world level, we have seen some substantial growth in exports.

The **Chairman**. Thank you, Senator Harkin and Mr. Larson.

Senator **Zorinsky**. Thank you, Mr. Chairman.

Mr. Larson, do you consider the OPEC nations intelligent?

Mr. **Larson**. I'm sure they have many intelligent people, yes.

Senator **Zorinsky**. Do you think that if they ever balance the supply and demand of oil in the world, reduce production, and reduce their marketing quotas, that the price of oil might go up?

Mr. **Larson**. Right.

Senator **Harkin**. And you would be in favor of a 10-percent reduction in the target prices starting next year and the year after and the year after?

Mr. **Larson**. Yes.

Senator **Harkin**. You would be in favor of that?

Mr. **Larson**. Yes, I would.

Senator **Harkin**. And I guess you feel that way because you feel that we have to get the prices down—again, I don't want to put words in your mouth—but I guess to, what, meet export markets or something like that?

Mr. **Larson**. Yes, I want to compete in the world market. I want that chance. I think I can do it.

Senator **Harkin**. Did you study what Iowa State said on our bill in which—and I have the charts here. I'd be glad to give you a copy of it—which shows that under the bill that I have introduced that exports indeed go up. They just don't go up as fast as under the present bill. But the difference is what we get for what we export is a lot more under the bill that I've introduced than under the 1985 farm bill. And can you, please, explain to me, why is it good for this country to export more and more, and more and keep getting less and less and less for it? Isn't it better for us—shouldn't we be asking the question, not how much we export but how much we get for what we do export. Isn't that a more essential question?

Mr. **Larson**. Well, I also have with me a Texas A&M study, and not with me a University of Missouri study that says "exports will not increase under your proposal."

Senator **Harkin**. But what did Texas A&M say about the export earnings? I have the Texas A&M study also. What did the Texas A&M study——

What did Texas A&M say about the export earnings of our bill? Not how much is exported but how much we get for what we do export?

Mr. **Larson**. Well, because of the raise in the price going from, let's say, $1.78 to $3.50 just for the sake here, that the dollar amount would increase at the present time and maybe for the next year. But in time, over the long run, it will continually decrease because other countries will come in and take that market because they will be able to produce at less cost than what we are selling it. I think that's the basic crux of that study.

Senator **Harkin**. Well, again what I saw from that Texas A&M study—it shows that under our bill, at least from now until 1995, we would gain more in exports from what we do under the present farm bill.

Those contingencies that you mention may indeed happen beyond those years, I don't know. But, you know, people keep telling us—Secretary Lyng said last week, "Stay the course, that things may get better." But when you're in the middle of a lake drowning, you're not really worried about what's going to be for Sunday dinner. You know, you have to stop drowning. And what I'm saying is that we have to get a fair price for what we're making and that we can do that and still export. We have 75 percent of the world's market in soybeans, 65 percent of the world's market in corn, and about 35 percent of the world's market in wheat. If we have 65 percent of the world's market in corn, at what expense do we want to get 70 percent or 75 percent, or 80 percent of that market? What will it cost us in human terms, in loss of farmers, in loss of rural communities? And would it not be better rather than saying 65 percent of the world market, maybe we could take 60 percent, maybe even 55 percent if, in fact, we got more for what we exported?

Mr. **Jones**. Right.

Senator **Harkin**. And that's why I keep coming back to that essential point. I know of no country nor any set of countries right now that could fill that kind of a need in the world market that we fill right now. Over time, maybe so. You may be right over time.

Mr. **Larson**. Well, no doubt. We've already seen that happen. But the "if" is if they can get together.

Senator **Zorinsky**. Right.

Mr. **Larson**. And I think——

Senator **Zorinsky**. Farmers have never been able to get together to reduce their marketing quotas or their incidence of production, that's why we're paying $900 million a year in storage for surpluses we can't sell.

Mr. **Larson**. I think that's probably a true statement. We haven't been able to get together on a reduction.

Senator **Zorinsky**. They can't pay their bills now because the price of oil is low. That's because they can't get together to raise their prices. Wouldn't it be refreshing if we could raise the price of the commodities in agriculture so that there would be a profit once again, like there used to be for the OPEC nations? That is, before they glutted the world marketplace with the dream of selling everything that they produced only to shoot themselves in the foot. Now they're becoming debtor nations.

Mr. **Larson**. I would say to you that under current conditions I am making money, and I am not alone. Of course, I am a livestock producer also and I have had a good year with livestock. That's been a bright spot in agriculture, no doubt about it.

Senator **Zorinsky**. Some farmers are diversified, some have outside income, and some have two-income families. Different farmers have different incomes. I am talking about the industry. Can you name me one industry or one company that year after year continues to produce more than they can sell that hasn't either gone broke or going broke?

Mr. **Larson**. No, I can't.

Senator **Zorinsky** I'm not a farmer. I was a businessman for 40 years, and my accountants kept telling me, "If you buy more than you can sell that means you're going to have bigger payments and have to go to the bank and borrow more money to carry an inventory." The Government is doing that now, and I don't think the taxpayers are the ones that should be carrying the burden. You say that, as long as you get your deficiency payments, everything is fine.

Agriculture is a business. As the preacher and the school teacher pointed out, the stewardship of the soil, the conservation of the water, the topsoil are all passed on to the next generation. The corporate boards farm for profit and the bottom line is what their investors get for a return. But the family farmer farms for Jaime and Jimmy, and the continuance of the heritage that made this country strong, and the only way you're going to keep these people in business is by increasing commodity prices. I've said it everywhere and, God forbid, a politician should get up and say, "Food should cost more money." In this country it should cost more money.

You're absolutely right, we've got to both farm and compete for prices abroad and for exports to other countries. Having been in business for 40 years, my greatest pleasure was in putting a competitor out of business. But until this country divorces foreign policy from agricultural economics in the international marketplace, we're never going to increase our exports to other countries.

I would be interested in receiving additional information or allowing you to rebut this. If there's something you forgot to say, we're going to keep the record open for a little while.

The CHAIRMAN. Yes. That's, in fact, something that I forgot to mention at some of the other hearings but we'll mention it here. We will keep this record open for at least a week after we go back in session so that people can add further testimony.

Mr. Larson, you probably feel a little bit like the story of the farmer when the preacher arrived to preach. It was going to be a large congregation and he arrives and there is only one farmer there. The preacher is very, very disappointed. The farmer said, "Don't be disappointed. If I went out to feed my cattle and it turned out to be only one cow there, I would still feed that cow. So I'm here, preach."

The preacher thought that was a great thing to do and launched into a great sermon. It went on for an hour or so. Finally he finished, and the farmer is looking not overly pleased by all of this, and the preacher said, "But didn't you just say if you went and found only one cow, of course you would feed the cow."

The farmer said, "Yeah, but not the whole load." I suspect you feel that you've gotten the whole load here today, so if you would like to say any more or if you want to add more afterwards in addition to any testimony here, you're most welcome to give us the whole load back.

Mr. LARSON. Well, I don't think time would allow that but I will say in return to Senator Zorinsky's remarks that we do have excessive carry-over stocks. I'll admit that as soon as anybody, and they're burdensome, and they're a problem. But if you would look at May 1 of this year—and I'll predict that wheat stocks will be 100 million bushels less than they were at that time a year ago. They are on the way down. I think they're moving that way. Rice and cotton, also, are moving that way. Corn, I'll admit is not, and that's a problem. We need to get it moving that way to reduce those stocks so that we——

Senator ZORINSKY. If you ask Texas A&M, I'm sure they'll tell you wheat is moving down and not corn because wheat is replacing corn as a feed to animal product because the price is so low.

Mr. LARSON. Somewhat, but it has also increased in export volume in the last year so that——

Senator ZORINSKY. But decreased in dollar volume.

Mr. LARSON. Right.

Senator ZORINSKY. My dad used to tell me when I was in business, "We can do twice as much business if we cut all of our prices in half" until his accountant told him he could go broke in half as much time, too.

Mr. LARSON. He didn't know his cost of production.

The CHAIRMAN. Mr. Larson, you wanted to——

Mr. LARSON. You're exactly right, he didn't know his cost of producing that product, and I think that's essential in today's market.

Senator ZORINSKY. I apologize for picking on you but I try to adapt business principles to the area of agriculture and I keep coming back to the same point: a higher price is what really helps. I talked about switching parties once myself and then I found out about what——

The CHAIRMAN. I read about that.

Senator ZORINSKY [continuing]. And then I found out how the rabbit at Council Bluffs feels when those dogs are chasing him. [Applause.]

The CHAIRMAN. The Senator from North Dakota, Senator Conrad.

Senator CONRAD. Thank you, Mr. Chairman. The conversation here reminds me a little of the story about the North Dakota farmer who came in and said he had a sure-fire deal to make money. He was buying shovels for $20 and selling them for $10, and he just could't believe the demand. His friend told him, you know, "It doesn't make sense to me, you buy them for $20 and sell them for $10. It sounds to me like you're losing $10 on every shovel that you sell."

And the North Dakota farmer quickly retorted, "Yeah, but I'm going to make up for it in volume."

That's really the strategy that we're engaged in as a country—somehow if we sell at less than our cost of production in the international marketplace, magically it's going to all be made up for by volume. It's not going to work. It has not worked for any industry. It's not going to work for agriculture. But at the same time, I think this conversation tells us of the tension we have between, on the one hand, farm income, and farm income from the marketplace and, on the other hand, the desire to be involved in the export marketplace and to be viable and competitive. Somewhere between those two tensions has to lie an answer. The fact is, the course that we're now on is a reckless course, and it will wreck us.

In my State we see what is happening with collapsing prices, exports that have not made up for the collapse in the price. We can reach only one conclusion and that is that the 1985 farm bill is not working, cannot work and, therefore, we must have a change. One of the reasons, I think, we wind up talking by each other in these conversations is that we talk about the dollar as though the dollar doesn't change. But the dollar, the underlying value of our currency, has changed dramatically in the last 6 years. The American dollar has skyrocketed in value and so we have a collapse in prices, an orchestrated collapse, in order to become competitive in the international marketplace. But nobody pays any attention to what has happened with that underlying value of the dollar and what that means to American agriculture. When this administration comes forward with a strategy, which is to cut prices to become competitive because the underlying value of the dollar has skyrocketed, who are they asking to be the sacrificial lambs? They're asking the farmers to be the sacrificial lambs. They're asking the farmer to lose purchasing power in this economy. They're asking the farmer to take the hit, and in other productive sectors they're doing the same thing. I mean, they're asking us in the agricultural sector to fight with one arm tied behind our back, and we're not going to win that kind of fight. So I don't ask this so much in a question, as an observation, that we've got to quit in the agricultural community talking by each other and we've really got to start forming a consensus around a program that we can march together to Washington to get something better for all of us. Because in my State, like in much of what I see in Iowa and Nebraska, and what I'm sure we'll see in South Dakota, we can't afford to wait much longer. So with that observation, I'll turn back my time.

The CHAIRMAN. Thank you very much.

I'll repeat what I said earlier in my opening statement: There are parts of the 1985 bill that need revision and as I said before, no part of that bill, is off limits. If our hearing shows that parts are working, then they're going to be supported. If not, we'll seek changes.

The Senator from South Dakota, Senator Daschle.

Senator DASCHLE. Thank you, Mr. Chairman.

I have the good fortune of following up all of this and from all of this. The hour is late and I know that we want to close down at 5:00 p.m. and yet we still want to give some people an opportunity to talk. I feel, in following all of the people that I have, a little bit like—well, I guess like Elizabeth Taylor's eighth husband. I know what I've got to do but I don't know how to make it interesting. [Laughter.]

The CHAIRMAN. You always wonder as chairman just what you're supposed to rule out of order.

Senator DASCHLE. But I'll just say a few things.

First of all, I'm the cosponsor of the Harkin bill and, secondly, that the people of Iowa have one of the finest minds, when it comes to agricultural policy, representing them in the U.S. Senate in Tom Harkin.

I find myself constantly nodding "yes" as I hear the Senator from Nebraska, Senator Zorinsky. He is as eloquent a spokesman for agriculture as I have ever heard, and I haven't had the luxury of hearing him in the past. But what he said today bears repeating and had time allowed, I would almost repeat verbatim what he has just said. But I think we've got a challenge and we melled that challenge with an opportunity, and the opportunity is fleeting. It could be gone by next year at this time for many of the people sitting in this room. It could be gone for those of us serving on the Senate Agriculture Committee unless we take the opportunity that is before us today, seize upon it and make it better. That's why we are here. That's why this hearing is so critical, and that's why I applaud the chairman for his courage in bringing this committee to the Upper Midwest as he has today. To all of you, my thanks for your tremendous participation, for the insight you've given us, and let's keep that hope that you've so easily demonstrated this afternoon.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Anybody that hasn't had a chance to say something?

Sir, would you state your name.

STATEMENT OF VICK THOMPKA, CARROLL, IA

Mr. THOMPKA. Mr. Chairman, my name is Vick Thompka. I have farmed in Carroll, Iowa, for 34 years.

What bothers me is I don't have a spokesman that can tell you how I feel on Harkin's farm bill.

I do think on a bill this important, I should be entitled to a vote. I would vote for it. The news media doesn't approach people like me to get my true feelings on it. That's all I have to say. Thank you.

STATEMENT OF JON K. VOGEL, BLOCKTON, IA

Mr. VOGEL. My name is Jon Vogel. I'm a farmer from Taylor County.[1]

When I hear the proponents of the "Export More Would Solve Our Problems Bill," I think we need to consider one other thing, the fact that each bushel of grain we ship to another country is actually the shipment of so many pounds of phosphorous potash which costs dollars, and it is also a certain amount of topsoil. We cannot afford the luxury of shipping excess bushels just for the sake of selling and shipping them and give our resources to other countries and other people. If it isn't paying the bill, on top of this, it is a double jeopardy. I think we need to consider the real practical implications of the things we're talking about, and keep in mind that it isn't just dollars and bushels of trade deficit and so forth, that we are actually giving away something that can never be replaced, and that is our land, our topsoil. That's on top of what we are eroding down the river.

I have also given you a piece of paper which you can read later concerning my concern for the social implications, the loss of our children from Iowa, from the rural landscape, and what the character and moral strength of our Nation has been in the areas of leadership, strength in the military leadership, and on down the line. Thank you for your time.

The CHAIRMAN. Thank you.

The gentleman way in the back?

---

[1] See p. 307 for the prepared statement of Mr. Vogel.

STATEMENT OF FATHER FRANK CORDARO, LOGAN, IA

Father **Cordaro**. My name is Father Frank Cordaro. I am the pastor at Logan, Iowa. I have been a pastor in Logan for 18 months. I am a new priest.

What I discovered is that people leaving agriculture, people leaving our rural community leave invisible silence. I think that one of the best ways we can get the folks in Washington to hear and really feel the crisis is make visible the invisible. I would like to invite you all to a sheriff's sale at Harlan, Iowa, February 23rd. It is Dominic and Ida Faye Lickteig's. Would you stand up, Dominic and Ida Faye? These are real people. They are on the sheriff's block on Monday the 23rd at 10 o'clock. Show up. We've got to stop these things right now, today—the people are leaving today—before we can move on and make any difference in Washington.

The **Chairman**. Thank you.

STATEMENT OF SCOTT HUGHES, COUNCIL BLUFFS, IA

Mr. **Hughes**. My name is Scott Hughes, and I am an attorney from Council Bluffs. I work for farmers. It is my job to try to hold together and work with farmers, and hold together what few pieces we can while we hope that you can work your magic in Washington and fashion a farm policy that will begin to bring sanity to the farm sector of our Nation.

One of the things I am very concerned about is the fact that I deal on a frequent basis with creditors across the board. Many of the local creditors, the unsecured creditors, and many of the local banks who have for years loaned money to farmers so they could make Federal land bank payments or make FmHA payments, are being very rational and very workable and they see the crisis that is happening out here on the countryside. What is happening though is that oftentimes on behalf of farmers we will make offers to the FmHA or to the FDIC which we can demonstrate on paper is of greater benefit to the creditor than if the farmer actually filed bankruptcy, and either, through the absolute lack of attention on the part of the creditor or the desire not to step across any bounds, or to make any decision whatsoever, they are absolutely drawing the line and not dealing at all. I am in a position where I have no alternative but to file bankruptcy or end up having farmers forced off the land because of just cruel and inhuman inattention on the part of the creditors in Washington, DC with the FmHA and the FDIC. Specifically, the FmHA has not extended authority to the State officials to do debt compromise and debt write-offs, which is sane and rational, so that we can keep these farmers on the land and keep them in the communities where they belong and where their children are going to school, and where they are paying taxes. Thank you.

The **Chairman**. First, I want to thank all the witnesses who took the time today to come and testify. We have heard some excellent statements from some sincere and hard-working people who are really experiencing failed farm policies. I said earlier that one of the reasons we are having these hearings out here is to hear the reality of farm life and that is not always possible in Washington. I believe we accomplished that goal today.

It's interesting, over the past few years attendance has grown less and less at agriculture committee meetings because we just hear the same administration people come in and tell us, "Everything is fine, everything is fine." We know it's not fine. We go home. We know it's not. I live in a State, as I said, of a half million people. Everyone practically knows everyone. My family has been there 150 years. You go home and you hear the cold, hard facts, just as we have here. One of the things I've heard, and it's made this Vermonter's blood boil, are stories about the Farmers Home Administration. FmHA was set up as an agency of last resort, to help farmers. We heard last night in North Dakota that indeed it is not helping the farmers. We heard in Nebraska today that it's not, and we hear that FmHA is not doing the job here in Iowa. Now it seems to me that there are people in Washington, in the administration, who might like to come before our Congress and say, "Let's do away with Farmers Home and let's change its direction." But they know full well what our response would be—Republicans and Democrats alike would tell them, "No, it's an important agency." Well there are some people who feel that they can change FmHA by bureaucratic action or inaction, by administrative regulations or deregulations, or by actions they think they could not do by law, so they're going to do it by fiat. I'll pass the word here, as I have already today, there's a new order. There might have been a time when they could do that and this committee may not have said anything. Our committee will say plenty. It is not going to happen. I will not allow it to happen. They're going to have to reckon with us and I want them to understand from these new hearings, there's a new Agriculture Committee in Washington. It's a new day, and they better live up to the law the way it was set up; not for their use but for the use and good of the people the Farmers Home was originally intended to help. We're going to bring this message back very loud and clear to Washington. [Applause.]

May I close with this, you're very much like the people I know back home. Our State of Vermont is much different in land area than Iowa. We actually have a lot of land area, it's just that we kind of scrunched it all up into mountains.

But out here, the great expanses of farm land extend to each horizon. You raise different kinds of crops, and your scale is different. While the composition of our farm land may differ, our farmers are the same. They're worried about how they're going to make the payments, how they're going pay the various bills; how to get the crops in. They also worry what they're going to leave to their children. I've often said that my children are going to live most of their lives in the next century. I'm 47 years old and I'm much younger than the average age of farmers in my State. The overall population of our States has gone down while the average age of farmers has gone up. I wonder what it is they're able to say to their sons and daughters about going on in farming. How can they offer a future, much less hope to their kids?

Look at the FFA youngsters who are here. The students from Vermont come down every year and visit me in my office. I wonder, you know, how many generations, how many years, how many months in some places can we continue to say to young people, "Go into farming." Yet we've got to for our national security. We have to save that special place that is rural America. We've also got to be able to continue what is very best in the way of life that has made the United States such a special place for 200 years. It has made rural America, the place that so many of us call "home," home by choice. So thank you for giving the hospitality you have, and I will yield to Senator Harkin to close out this session.

Senator HARKIN. Well, Mr. Chairman, again I want to thank you for taking the time. I want to thank Ed and Tom Daschle, and Kent Conrad for coming also and listening. I believe we've heard some good testimony. We've had some good give-and-take.

I know we all feel very deeply about what is happening to rural America and to our farmers.

On the front page of Des Moines Register on Monday there was a story about the cherished way of life eroding as distant giants buy Iowa farms, and here's a guy who is president of Windmills West of Mesa, Arizona, that has now bought between 7,000 and 9,000 acres in northwest Iowa. He didn't know exactly where he owned it all. He thought he might own some in Emmet County. Then he thought a minute and he said, "It's really in Emmet County." I'm afraid that that's what we might be coming to.

Here's an ad that someone gave us yesterday in Minneapolis. It says, "Buy North Dakota." There you go, Kent, "Buy North Dakota." North Dakota is fertile prairie soil and has abundant fish and game tracks from Missouri River walleyes to migrating Canadian geese. Now it can be yours, financed at 4.9 percent, plus property values are the lowest in years. Don't miss this limited opportunity to get a piece of North Dakota at a great price with interest rates you haven't seen in years. "Call today," and the number is the Farm Credit Services of St. Paul. Now wouldn't you like to be able to borrow some money to buy farm land at 4.9 percent?

But now this here guy—what is his name—I'm sure he's quite a decent sort, Clifford (Wolfswingle)—he could buy it. Do you know why, because they require a 50-percent downpayment, see. Now somebody has got a lot of money setting there. They can put that 50-percent downpayment and they can buy that Iowa farm land—or that farm land in North Dakota now at 4.9 percent, and I'm afraid that's what's going to be happening. That we're going to see more and more of this. We just heard testimony in Omaha that the Federal land bank in Omaha has 400,000 acres in their inventory. Is this what is going to happen to it? Whoever has got the most money is going to come in from the outside and buy a 1,000-acre tract of land and hire migrant workers to work on it.

A VOICE. That's the land they took away from us and we were paying 15 and 16 percent interest on.

Senator HARKIN. That's right, they wouldn't sell it back to you for 4.9 percent, so that's why I'm concerned about the Farmers Home Administration, to make sure that they and the Farm Credit Service—to make sure that we have those kind of interest rates for viable family farmers that want to buy it back.

Let me just end with Mr. Larson. We've had a good give-and-take here. Obviously, you disagree with my approach on agriculture and, obviously, you're a very intelligent young man and, from all appearances, probably a pretty darn good farmer. You said that you can make money. Well, I'm glad of that. You know, even during the Depression there were people that made money, but that didn't mitigate the fact that our society was hurt and hurt very badly. Yes, there are farmers making money in our society. There are farmers probably in this room today that are making money; probably farmers in Iowa that are making money. That's not the point. I ask you to look beyond your own farm gate, to think not just of yourself, and I'm not saying that you do, but to look beyond your farm gate, to look at that community around you. Look at Greene County, look at Polk County, look at Calhoun and Webster Counties, Sac County and Ida County, and all of those wonderful counties out there, and look at what is happening to them, look what is happening to the schools, and the businesses that we heard so much about.

We talk about bigger farms getting more efficient but what are your taxes going to be when you have to pay—and you're the only one that has to pay—for the upkeep of the roads and the electricity, the lights for schools, for the infrastructure. You have to look beyond your own farm gate and not ask, "Am I doing well?" But you have to ask, "Is agriculture doing well? Is our community doing well? Are we doing well in rural America?" And if not, let's pitch in together.

I only want to do one thing. I want to get the income up for farmers. That's where I started from. If you or if anyone else can give me a plan, a program, whereby we can increase—and I mean now, increase net income to farmers without burdening the Treasury of the United States and without completely taking us out of the export market, then I want to see it. My feet aren't in concrete, but as far as I can see, from every study I've seen of the bill that I've introduced is the only one that will increase net farm income and get it up right away. If you've got something else, please let me know about it. I'm willing to look at it. I've asked and I've asked, and I've asked people to come forward, so let's each look beyond our own well-being and ask ourselves those essential questions about how our own community is doing and I think in that way, perhaps, we can get a better hold on what we ought to do in agriculture.

Mr. Chairman, I'll just close by saying one other thing, I want every farmer in Iowa to make money. I want our farmers all over America, in North Dakota, in Nebraska, Vermont, and everywhere else to make money because they deserve it, because they produce the food and fiber that we need here in America and around the world. Now, to be quite frank with you, I don't want the farmers of America making money if it means that farmers in other countries have to go broke, if it means that hunger and malnutrition is rampant in Third World countries. I don't think our farmers, at least the ones that I know, want to make money by driving other farmers in other countries out of business.

I believe by working together, and in good faith I believe we can reach those kind of agreements I talked about with other countries, so that all farmers will do well and not just a few in this country. Thank you, Mr. Chairman, for indulging me with this time. Thank you.

The CHAIRMAN. Thank you.

[Whereupon, the committee recessed, to reconvene Wednesday, February 11, 1987, at 10:30 a.m., in the DeSchepper Implement Building, Garretson, SD.]

EXAMINATION OF PROBLEMS AFFECTING THE FARM COMMUNITY

Rural Life

WEDNESDAY, FEBRUARY 11, 1987

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Garretson, SD.

The committee met, pursuant to notice, at 10:30 a.m., at DeSchepper Implement. Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present: Senators Leahy, Conrad, and Daschle.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. The meeting of the Senate Agriculture, Nutrition, and Forestry Committee of the U.S. Senate will come to order. I am Patrick Leahy, Senator from Vermont. I would like to introduce Senator Tom Daschle. This is the first hearing I have ever had with Daschle posters up in the back. This is Senator Kent Conrad from North Dakota.

Let me just lay out the rules how the committee meeting will proceed. Under the rules of the U.S. Senate, the committee at the call of the Chair can meet wherever it wants if it's a duly notified and designated meeting. Any of you that watch television or read the papers know that about 99 percent of all Senate meetings are held in Washington in the normal meeting rooms.

I decided when I became chairman of the committee in January to start holding as many hearings as we could outside of Washington; partly so we could hear people testify who couldn't afford to come to Washington to testify, but also to hear the people who actually are affected by the farm programs that we vote on and write and pass in Washington. If we take just the reports that we get, usually the administrator's reports say all is well. There are no problems. Farmers are doing good. And we have a sneaking suspicion that may not be so, and it's best we come out here and check.

Under the rules, we will have a number of witnesses, each one of whom will speak for 5 minutes. We have this little light you can see. A little light will go on. A red light will come on when the 5 minutes is up of each witness. The whole statement will be placed in the official record of the U.S. Senate and we will then be able to ask questions.

I would remind everybody that the hearing, even though held here—and I am very, very appreciative of the people of Garretson, those who made this facility available for us—the rules remain those of the U.S. Senate. We have noticed in our hearings everybody has heard something that they may well feel deserves applause. Normally in Washington we would not allow any applause in a committee room. We bend the rules a little bit here. If you want to, feel free, but one thing I will insist on is that every witness has a chance to state their views. I can't imagine anybody in South Dakota trying to stop somebody from giving a view even if they may disagree with it. But we will insist that everybody have that chance.

I'm very pleased that Tom Daschle invited me to come out here. I was shocked to find that it's probably been 40 years since the chairman and the Senate Agriculture Committee has come out into the Midwest and Upper Midwest. As I stated when I became chairman, I'm not going to preside over a committee that pits one section of the country against another or pits one element of agriculture against another.

I also wanted to get out here. Senator Conrad asked me if we would come to North Dakota. Senator Daschle and his wife were guests of my wife and I at our house in Vermont during one recent holiday, and he talked to me about South Dakota, told me of the very serious problems here, and asked if we would come out.

Because of the enormous respect I have for both of these men, that became a top priority for the committee. I made the decision we would come here. I know that this is a little bit different than we normally do in a chairman's opening statement, but I want to say to those of you in South Dakota, as I have said to a number of you privately, you have benefited yourself by sending Tom Daschle to the Senate, but more importantly, you've benefited all of us, all 50 States. I feel very fortunate when I see somebody like Tom and somebody like Kent, who come from here.

I grew up in rural America, in a State of one-half million people, a lot smaller geographically than South Dakota and smaller even in population. The Leahy family has been there about 150 years. My wife and I also want to thank you for the hospitality you have shown her.

We live in a house built about a hundred years ago, an old farmhouse. And it gives a sense of rural America. But I know when growing up, I always felt that rural America, agricultural America, meant one and the same thing. That is not so today. Diversity marks rural America today. Less than 10 percent of our rural citizens actually live on the farm today. In fact, only 700 of our 3,400 nonmetropolitan counties across the country are economically tied directly to farming.

Now, this part of the country in South Dakota is exceptional. Many more of your counties, more of your people, are in fact tied to the farm. But that is also why so much of the agricultural pain being felt in this country is being felt here. Even farm families here are looking more and more off the farm for part of their income. They may not want to, but they have to. Nationally more than half of farm family income is derived off the farm.

But it's getting harder to find off-farm income. In the 1980's rural America is again losing ground to the cities. Jobs fell in rural America by 580,000 from 1981 to 1983 alone—a number equal to the population of my whole State—while cities gained 180,000. At least one group of experts has pinned the blame directly on the long term structural problem of rural America. That is something that agricultural policy alone doesn't solve.

Despite those very serious problems, the Reagan administration has no rural development solutions, no rural development strategy. The administration has called for the virtual elimination of all rural development housing and related programs in its fiscal 1988 budget. In fact, it's worked hard to disband the very little rural development policy which it had in place at the beginning of the 1980's.

What makes it unconscionable is it's happening at a time when hundreds of thousands of farmers and families have left the land, many with no place to go. The administration has offered them little or no counseling or job assistance or any other out. In short, it has offered no alternatives that may enable them to remain in the towns and outside countryside where they were born and raised and worked on or off the farm.

Now, it's true that the percent of our family farms has been dropping since the Nation's birth. To the extent that we have become more efficient and raised our standard of living, that may be good. But the rate at which we have been losing family farms as of late—over 200,000 family farms in the past 5 years—that is unsettling to say the least. It's not a healthy trend.

Last year 65,000 family farms went under. The total population of the largest community in my State is 40,000 people. We had 60,000 family farms go under. In this country, a country which has remained the only major military power in the world able to feed itself for 200 years, now we find ourselves almost turning our back on what has really been the backbone of America.

I want to ask some of those over a half million people that left the farm in the last 5 years, where have they gone, can they find the jobs out there, are they forced to abandon their homes and communities as well as their farms?

We have a two-fold goal in this committee. One is to be the voice of rural America in all the issues involving rural America. But secondly, to restore the stability, restore the strength of our farm system throughout this country to allow those who have made farming a way of life to know that it is a viable way of life. And just as importantly, to be able to say to your sons and daughters, follow in this way of life. There is a future in it, not only for you, not only for your community, not only for your State, but for the good of this Nation.

So that is why we are here. That is why we are out of Washington. And, Tom, that is why I thank you so much for inviting us here. It's your meeting now. Go ahead.

STATEMENT OF HON. THOMAS A. DASCHLE, A U.S. SENATOR FROM SOUTH DAKOTA

Senator **Daschle**. Thank you, Patrick. Thank you all very much for coming.

I don't think anywhere in the U.S. Senate there is a better example of the change that has just occurred from last December to last January than the person on my left. He epitomizes I think the new leadership, the new sensitivity, the new direction. We are just darn glad you are here in South Dakota.

You see all too much bull out in Washington. It's time you got a good look at one right here in South Dakota. And it's a bull of a different color and hopefully a whole lot more substantive.

But I want to thank DeSchepper Implement for hosting us. You know, in Washington you get all these glorious marble halls and these beautiful committee hearing rooms. Just last week I was saying how different it is for a committee to meet in Washington with all of this decorum and people sitting right in front and speaking with your honor this and yielding this and that. I said if you can only be in South Dakota, if you could take this and put it in the middle of the heartland, you would have a whole different sense of what the urgency is and what the determination is on the part of our people. That is why we are here.

I talked about people standing in the back and lining the walls. That's what they are doing here in South Dakota today. So, we are very pleased that you are here.

This is the culmination of five hearings around the Upper Midwest; Minnesota, North Dakota, Iowa, Nebraska, and now we are cleaning up here. They say in baseball that the most significant of all the batters in a line-up is the clean up hitter. Well, South Dakota is in the position of being the clean up batter, and we are going to hit a home run for you this morning with the testimony we have.

It's no accident that we are here in Garretson. Garretson really reflects the life-blood of rural America. Garretson is a town that is struggling, a main street that is struggling. Garretson has young people who would like to stay here. Garretson has farmers from all around who love it here and want to make a life here, who feel that their love of the land is just as important as some other's love for the position that they are in.

But we have a struggle on our hands, a struggle that hasn't yet been resolved. Whether or not we succeed depends on whether or not the message is clear enough today and whether or not the kind of determination and the dedication that we can bring today as people all interested in the same thing can show as we go through this hearing this morning. So I am very pleased with the kind of friendship and the kind of openness that Garretson has shown each and every time that we have made a stop this morning; from the host families last night to the bowling alley this morning for breakfast, to the businesses that we visited, and certainly to the school and the children that shared their views with us this morning.

There is no question that we can gain so much and learn a great deal from our experiences here. But our presence is really serving three purposes. The first is to learn and to experience what we have.

But the second is just as important. You don't get a chance to go to Washington. If we could get enough tickets to send every person in this room to Washington, DC, we would spend over a million dollars. How much better it is for us to come out here and for you to use this committee hearing to amplify your views. There are journalists from Washington here. There are people all over the country who are going to hear what you are going to tell us today. And for us to be able to amplify your voice is critical to whether or not we succeed.

And finally, it's my view that there are sections of the 1985 farm bill that need to be overhauled that simply aren't working. It's important that we make that case unequivocally this morning.

As we consider farm policy, I think it's very important that we realize that this is more than just a farm crisis. It's a rural crisis. It's a rural opportunity as well.

We are not simply talking about the lives and the future of family farmers. We saw some businesses downtown that will rise or fall on how well we can formulate farm policy in Washington. There are children in the Garretson school who will determine whether or not they can live here depending upon how well we formulate policy in Washington. So it's not just a farm problem. It's a business problem. It's an education problem. It's a rural social problem the likes of which we have never experienced in our State before.

Farmers like to call their best crop a bumper crop. You know, we have got a bumper crop right now. It's a bumper crop of good kids. We saw some of them this morning. But the problem we have had in past generations is that bumper crop is exported. We don't keep them here any longer. When I asked over a hundred kids this morning how many of them thought that they are going to be able to stay here and live here and act as farmers and businessmen here, out of that more than 100 people, fewer than 10 raised their hands.

That is the issue here. They don't have a life. They don't have a future as they once had. If we succeed, we can change that. We can give them that future. We can give them that hope and that opportunity.

Well, that's our mission. We are here to raise that hope, but I hope we are not here to raise that hope falsely. If we are here and we listen and we do nothing when we go back, our credibility will be worse as politicians than it ever was in the past. And that isn't what we want. It's important not only that we listen, but it's important that once we listen and once we learn, we go back and use the leadership ability we have been given and make some changes. That is what we are all about here today. [Applause.]

Farmers want three things. They want an opportunity to live here. They want an opportunity for a decent income. And they want an opportunity in the short term to have reasonable credit available to them like that available to foreign countries and also available to people in other parts of our land. They simply want parity. They don't want charity. [Applause.]

As a result of that simple message, we are here this morning. That is our hope for a tough trade policy to bring that about. That's our hope for a strong agricultural policy to bring that about. That's our hope for policies to renew the opportunities that exist for our children, our businessmen, and the people on main street so that they can survive along with family farm operations to make this glorious day one that will not only benefit those who are here today, but one that will benefit future generations.

You are all a part of it. I'm grateful for that. Thank you for being here. Thank you, Mr. Chairman.

The CHAIRMAN. We will start with our first panel, Gene Engebretson, Mark Grogen—Grogen or Rogen?

Mr. ROGEN. Rogen.

The CHAIRMAN. And Ray Moore. I'll turn it over to Tom to introduce the panel except to say that Gene and his wife were our hosts last night, and we enjoyed so much being in their home. I tried to get away by telling Tom I got up very, very early this morning and helped with chores, but he said he was out there and wondered if I was going to sleep through the morning. It was probably one of the best nights sleep I have had in a long, long time.

Senator DASCHLE. Mr. Chairman, Senator Conrad, let me also introduce Mark Rogen. Mark has been a friend of mine for many years. He's a member of the South Dakota Corn Growers Association. He has been very active in many of the agricultural issues that have confronted us. And he is here to testify about the efforts that he has had.

Ray Moore is the director of the South Dakota State University's Agricultural Experiment Station. He is going to be addressing rural development and research and uses for agricultural products.

So, gentlemen, we are very pleased that you are here. Ray, we will start with you.

STATEMENT OF RAY MOORE, DIRECTOR, AGRICULTURAL EXPERIMENT STATION, SOUTH DAKOTA STATE UNIVERSITY

Mr. MOORE. Thank you very much.

There are several ways that research at the South Dakota Agricultural Experiment Station relates to the agenda of today. I would like to speak about four of these areas. One of these is new industrial uses of agricultural commodities. We don't do this as a single State. We do this on a regional basis. We have a northern regional research laboratory at Peoria, Illinois. We work very closely with this institution, and we do not duplicate each other.

Some of these activities, such as taking starch from corn and making a new wax or a new gum is a very complicated process. Each of the various States will take a piece of the action, get together as necessary and release the results. From this kind of research, we have such things as nylon that came from furfural, a compound from oats. We have many, many different products. But I just want to share with you the fact that this is done on a regional basis.

We are working with additional food uses of agricultural commodities. We do this largely on an individual State basis. We have developed new uses for dairy products. We are not trying to take all the credit for the fact that there is a greater consumption of dairy products because we know that the promotion from the dairy industry has resulted in this happening, too. But the new uses for cheese, the low fat cheese spreads, smoked Cheddar and a lot of those products, restructured meat, have all caused a greater consumption and disappearance of some of these products.

We are working with a lot of people on additional on-farm employment. We know that the small farmers of America need supplementary income. In many States there are factories where the farmers can go and their wives and their sons and daughters to get additional employment. We don't have that opportunity in South Dakota.

We have to provide that additional opportunity on the farms. We are trying to do that by working with them on feasibility studies. Whether it's growing mushrooms, farm-to-market vegetables, fruits, hunting, recreation, these are just examples of the many kinds of opportunities that we are working with at the experiment station.

We are also working on alternate uses of our land, evaluating new crops that we can raise, new opportunities. This could go from chickpeas to mushrooms to horseradishes, many of those. But let me say there needs to be a market. Any time we work with a new crop, we must have that market. And, folks, we have a great opportunity right now.

There is a tremendous market for grass seed. There is a good price. This is something we have researched for years. We know how to raise grass seed in South Dakota. We have the soils and we have the climate. Now, we can't have everybody turning their farms over to raise grass seed. We'd have a surplus then. But we certainly have a lot of room. And if you have looked at the cost of grass seed in recent months, you know what has happened; from 65 cents a pound up to $3 and $4 for a lot of it. We have a lot of room in that particular area. And the farm program, certainly with the diverted acres, the conservation reserve creates a demand for that product.

This is really what I was asked to talk about. But, gentleman, I would like to say who is being subsidized in American agriculture? We seemingly have a national policy for cheap food. Who is subsidizing who? We have a cargo preference law, all of which says our wheat, our corn, when exported, must be loaded on American ships. Who is subsidizing who? We have a law that says we must use union dock workers to put that grain in those ships. Who is subsidizing who?

Thank you very much. [Applause.]

STATEMENT OF MARK ROGEN, PRESIDENT, SOUTH DAKOTA CORN GROWERS ASSOCIATION

Mr. **Rogen**. Senators, staff, media, and others concerned with the economic well-being of the American family farm. As Tom introduced me, I am Mark Rogen. I am president of the South Dakota Corn Growers Association. More importantly, I am a family farmer from Sherman. I live and work just about 8 miles north of the implement shop here in Garretson. And as a family farmer, I am also a businessman, just as all other family farmers are. Hopefully my testimony today will leave you with some ideas on ways to help small business and thus the family farmer of America.

As your committee and Congress begin debate back in Washington on the various pieces of legislation that are presented, whether they are about the farm bill, the budget, trade policies or even national security, I hope one of the things you study to help the rural economy is the utilization of the commodities we produce in this country. I know you will be receiving many different bills and amendments that deal with supply management of the commodities produced in this country. It is my feeling that you should also be looking at the demand or use of those commodities.

When I talk utilization, I speak mostly about corn because that is what I know best. It is one of the most overproduced commodities in this country. A quick review of recent trends in traditional corn use sectors indicates the need to reduce rather than expand production unless we diversify the uses for that product. The feed sector historically consuming about one half of our production is static to declining. Many factors have also combined to reduce world trade in commodities, most of which are beyond our influence and control.

While these two sectors have been steady to falling in the utilization of corn, the industrial usage has shown growth in the last few years. Advances in the corn sweetener industry have been dramatic. This year saw corn sweetner capture 51 percent of the Nation's consumer nutritive sweeteners. The potential for this use can apply to the international market except for the highly restrictive sugar trade policies around the world. The upcoming GATT negotiations are very important to the continued advances we have made thus far in the corn sweetener industry.

Another industrial use that has seen great improvement in this decade despite severe market opposition from the petroleum industry is fuel ethanol. From virtually a nonexistent market in 1979, it has grown to an annual 300 million bushel market for corn. That use sector has been counted down and out numerous times, but still has accounted for over 450 billion motorist miles.

Earlier ethanol was motivated by the need to extend petroleum supplies, but more recently with the EPA lead phase-down, it's value has been realized as an octane enhancer and is under serious consideration in reducing carbon monoxide emissions in areas with severe air pollution. Ethanol is also being researched as a jet fuel additive which would create another potential use of 800 million bushels of corn.

Corn sweeteners and ethanol are two areas where technology we already have is being applied to benefit farmers.

Another area that is yet wide open and shows great promise is polymer starch science and engineering. The basic research in this field is finished. It was provided by the USDA. Where money now needs to be spent is to take the basic research and walk it through the applied research for growth and development of biodegradable products. Advances in polymer starch science will take volume corn use into a new generation of plastic products. These new biodegradable plastic materials will be enthusiastically embraced in the manufacturing sector as agricultural mulches, functionally improved packaging materials, as well as a host of household products.

Another example or possible utilization of how our overproduction can be used is in CMA. CMA is a salt replacement that can be used as a highway deicer. Unlike salt, CMA does not destroy roads and bridges. It also is not harmful to the environment because it's composed of naturally occurring elements that simply disappear when they come in contact with the soil. I believe Senator Leahy maybe has some knowledge of this in the utilization project because most of the work has been done by the Chevron Chemical Company up in his area of the country.

If we are to be able to create more demand for the overproduction of commodities in this country, we must capitalize on these and other opportunities that lay in our future. We must have help and encouragement in these efforts because many of these advances in technology using corn will solve problems for the Nation as a whole. Aside from the benefits of helping to bring corn utilization in balance with corn production and environmental improvements such as reducing solid waste disposal, reducing soil and water contamination, we will gain a wide range of new friends and supporters. Many of these new advances assault problems that have eluded solution for years, if not decades.

My testimony today has largely been one of mentioning new and alternative products that would help utilize the overproduction of ag products in this country, particularly corn. I have mentioned just a few of these new uses or utilizations. The plants that manufacture these products will be located in rural areas, thus improving our rural economies.

New utilization is just one piece of a total equation that includes domestic uses such as livestock feed and current domestic processing, supply management, and increased foreign demand. If you can find a way to bring the whole equation into balance, you will have helped the American farmer and the rural economy of our State. We need to start thinking of agriculture as a resource instead of a problem.

Thanks for the chance to speak today. I hope my testimony will help you in your decisionmaking process.

Mr. ENGEBRETSON. Chairman Leahy——

The CHAIRMAN. I might say before you start, you have a lovely home. You are all invited out there later today. I am sorry. Gene, go ahead.

STATEMENT OF EUGENE ENGEBRETSON, GARRETSON, SD

Mr. ENGEBRETSON. Chairman Leahy, Senator Conrad, Senator Daschle, ladies and gentlemen, my name is Gene Engebretson. I would like to speak with you on behalf of the Garretson business community.[1]

I own and operate our family business, a local hardware store, started by my father in 1948. Mine is one of the many businesses here in Garretson which every day feels the effects of a shattered economy. Our local business community is deeply concerned, at times even frightened, that a declining ag economy is driving farmers off the land and our rural customers from our stores.

---

[1] See p. 312 for the prepared statement of Mr. Engebretson.

At times it seems that someone has declared war on neighbors and forcing them to flee their farm heritage. This war on the farmer was not waged with bombs or infantry attacks, but with a much more deadly weapon, rural communities were attacked with creeping inflation which slowly drove up the cost of production, with growing interest rates which gobbled up even larger portions of the meager margins farmers operate on, and with declining demands and lower prices which forced farmers to scramble for every possible bushel and bale they could use. They generate enough capital to make ends meet.

This slow, insidious war against rural America attacked hardest at the most vulnerable; the young farm families. Older farmers, while by no means immune to the cost-price squeeze, were better able to weather the attack because they were not as heavily mortgaged. But young farm families, the backbone of economic stability in rural areas, were forced off the land, taking with them a large piece of customer trade for our local business communities.

When the young farmers leave, our businesses have competed more intensively for dwindling revenues until like our farm neighbors, only the older, more established have been able to survive. Every business that closes means another family forced from rural America to the cities, causing increased competition for jobs and demands for services.

It seems to us that the time has come to generate practical, sensible solutions to a national agricultural disaster. It is time to consider America first. Instead of using billions of dollars from the Federal budget to buy and store surpluses, use the money to guarantee interest for operating loans to young farm families which will not penalize those in worst financial condition and will let them return to the land with a chance of survival. The present system of graduated interest rates charged by the Federal land bank and Production Credit Association do not fairly treat those most in need of a break on interest rates.

Couldn't we use funds now going to purchase and store farm surpluses to generate economic development in our rural communities, to provide local jobs for young farm wives who want to keep their families on the land? Can't we establish a rural small business agency to assist main street America in its fight to hold on while the rural community reestablishes itself?

America rebuilt war-ravaged Europe following both world wars, helping our allies and former enemies become strong industrial nations. We have helped Korea heal the sores of that conflict and rebuild to a point where it rivals the world's electronic giants. And we compassionately send millions of dollars to Southeast Asia to help heal its wounds.

Can't we declare the war on rural America over and show the same compassion to our own farmers and businessmen and help them also climb back to a position of strength and vitality? We believe that if America wants to, America can. Thank you. [Applause.]

The CHAIRMAN. Gene, I thank you for that. I understand that statement was the statement of the Garretson business community.

Mr. ENGEBRETSON. Basically, yes. We all got together and——

The CHAIRMAN. As one who lives in rural America and whose family lives in rural America, it touched me deeply, and I appreciate it. Senator Conrad.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator CONRAD. Thank you, Mr. Chairman. Being in South Dakota is a little like being at home. Last night I stayed in the home of the Johnson's, and they made me feel very much at home.

I want to thank Senator Daschle for inviting me to South Dakota. Just like neighbors are supposed to do, we are going to stick together in this fight for agriculture because North Dakota and South Dakota share many of the same problems and many of the same concerns.

I want to take this advantage to tell you that you have a very special Senator from South Dakota in Tom Daschle. Tom is a real fighter for the farmers. I can't tell you how good it makes me feel to walk into the Agriculture Committee of the U.S. Senate and sit down next to Tom Daschle because every minute of every day he is thinking of some way to make things better. You can be proud to send somebody like that to Washington.

Let me say that we have a chairman who marks a very dramatic departure from the past. No Agriculture Committee chairman has ever been in North Dakota. I don't know about South Dakota, but I can testify that they have never come to North Dakota. This chairman in the first few days of his new chairmanship could have gone anywhere in the world in this week, and he chose to come to North Dakota, South Dakota, Iowa, Nebraska, and Minnesota. I think that says something pretty special about this chairman, and I want to publicly acknowledge him. [Applause.]

Mr. Chairman, if I just might, the other day in Iowa I heard a comment that sums up many of my own feelings as I have observed what has happened in agriculture. So often we have heard over the last few years that the problem is farmers are bad managers. How many times have we heard that in the last 5 years? Well, I think the other day in Iowa someone summed it up when they said, yeah, there have been some bad managers. It's been the Federal Government. That's who the bad managers are. [Applause.]

We have an obligation with this stewardship of the U.S. Senate to make a change. It is not acceptable for us to go back to Washington and conduct business as usual. There must be a change. I hope that out of these hearings we have developed the motivation and the identification and the commitment to go back to Washington and to do what has to be done to provide the hope and what has to be done to provide a better future for North Dakota and South Dakota and the rest of the heartland.

Thank you very much for having me here. [Applause.]

The CHAIRMAN. I want to thank again the panel. Your discussion of the impact on rural businesses and alternatives is very, very good. It's especially good and important to me and other members of the committee that you speak from some real hands-on experience. Let me tell you, one witness with hands-on experience is worth 10 who want to speak in theory as far as I'm concerned. So thank you very, very much for being called.

Senator DASCHLE. Congressman Tim Johnson was hoping to be with us here, but he is at this very moment participating in a subcommittee hearing much like this in Washington, and couldn't be with us. But he does have a statement that he would like submitted for our hearing record.[1]

The CHAIRMAN. The statement will be received in full. Incidentally, I should note for the record that the record will be kept open for a week after we get back in session, so that if anybody wants to add additional comments to what they have said, the record will be open. Tom.

Senator DASCHLE. Senator Conrad has a plane and has to leave sometime before 1:00 o'clock, and so in deference to my two colleagues, we need to finish this hearing at 12:30. My hope is that we can hear from our witnesses, ask some questions, but then also leave a little bit of time at the end for comments from those who have come. I know some of you have come a long way, and I want you to be heard as well. So we will certainly give you an opportunity to address the panel as well, if time permits.

Wayne Ducheneaux is the tribal chairman from Cheyenne River. He is our next witness. Charlie Johnson is a Madison area farmer. Ron Williamson is a farmer from the Garretson area. I would like those three panel members to come forth at this time.

They are all here, Mr. Chairman, to address the issue of credit from varying perspectives. I'm pleased that they are here with us this morning.

The CHAIRMAN. I might point out, Tom, I think you have about as many people here—I mean this literally, not figuratively—as there are in our hometown where you and Linda visited us a couple of months ago. I think we just about got out the whole population. There are about 800 people here, but we have 800 to 1,000. Depends on who you count. There are a lot of rural areas. It depends upon just what kind of an argument they are making to the State, which end of the tax argument they are making. We may be a little State, but we do spread them out a little bit more than this. We don't put them all in one room.

Senator DASCHLE. We will ask Chairman Ducheneaux to make the first statement and we will go to his right to Charlie and then to Ron.

Mr. DUCHENEAUX. Mr. Chairman, Senator Conrad, Senator Daschle, I would like to thank you for the honor of being allowed to testify here today.

Senator DASCHLE. You may want to speak a little bit more into the mike.

Mr. DUCHENEAUX. Okay, sir.

Senator DASCHLE. Maybe you have to move back a little bit.

---

[1] See p. 313 for the prepared statement of Representative Tim Johnson from South Dakota.

STATEMENT OF WAYNE DUCHENEAUX, CHEYENNE RIVER, SD

Mr. DUCHENEAUX. That's why they make you Senators; they didn't trust us to handle the things that really count, the microphones.

I'm here to testify about the availability of agricultural credit on the reservations of our State and some of the problems connected with it. To start with, the biggest problem for us out there is the artificial jurisdictional barriers that are raised by the lending institutions on the reservations. And these jurisdictional barriers exist, but only in the minds of the bankers. Some time ago the tribes rectified this by passing and amending their law and order codes to reflect the creditors' policy rights.

Although the remedies exist, there is a lack of confidence by the lending institutions in our court systems. The managers and lending institutions do not feel like they should accord our tribal courts the same respect that they give to the State and Federal courts. But the Federal courts and the Eight Circuit Court in particular has decreed that the place to address these problems concerning foreclosures and things is in the tribal courts.

Some of the more recent controversies raised on our reservation are caused by the Production Credit Association's failing to consider the jurisdiction of the tribal courts. They came on the reservation, absconded with some collateral without giving the person a day in court. When the court put a stop to this, they—the next time they come in and—on the second attempt, initiated a case in the tribal court and then refused to abide by the orders of the court.

So that, in an effort to punish the tribal court and members, they stopped putting credit up on the reservation. It didn't matter that some of the members of the tribe had been with them for 14, 15, or 20 years, had always settled their debts with them justly on the equity, were members of the association, and just flat cut us off. So that put a lot of us in trouble now.

The other place we can turn to is to the Farmers Home Administration. As the PCA, the Farmers Home Administration has quit being a lender of last resort and is beginning to sound like a commercial bank. They've went out and got everybody in trouble, offering them money on an equity basis, and then in midstream came around and said, hey, wait a minute, you have got to make this cash flow. And everybody was in trouble.

They borrowed the money on equity, had plenty of equity to justify the loans, but the high interest rates, high inflation, depressed cattle prices and other things, we couldn't make the cash flow. So consequently the FmHA quit putting money up there.

Those people have had land mortgaged. They come in and start taking their land away, taking away their livelihood. Out there that is the only possible livelihood we can have because we have no industry or anything else on the reservation.

I suppose you kind of wonder how all this affects agriculture. The thing about it is the way some of us believe out there—and I don't want to bring up the Indian/non-Indian issue here, but I have to talk about it a little bit because when you come in and took our land from us and opened it for homestead—these are all good farmers here—a lot of them went out and they got the best ground for farming. That is what they are out there for. And that is what they did. They took all the best farm ground and left us with the grass.

Consequently, we cannot participate in the—although we are eligible—we can't participate in the farm programs that you have out there with the subsidies on the various grains and things. If you do farm and you got to go to the bank, they are demanding you jump in the program. Most at least guarantee you will have some income. So we cannot participate because we can't farm the ground.

Some of us tried dryland farming. And 3, 4 years out of 5 you may get a crop or two. Good wet year like last year, I think I got 20 bushels of wheat off a piece of ground. So it's pretty tough to participate in these programs. Of ocurse, we can use the Great Plains Program, things like that, but that is a one shot deal.

So something needs to be done to—and I don't know just exactly what. I am doing a little research on it; might have to submit some written testimony later—to free up the agricultural programs to help the Indian farmers if we are not going to do anything about the credit. If it wasn't for the credit problems, we wouldn't need the agricultural programs to stay in business. And that is absolutely the only business that we have out there.

And let's see, what else? But, you know, given the problems of the non-Indian in agricultural and the agricultural nation in general today, you multiply that three-fold and you have got Indian agriculture on the reservations today. And I——

Senator DASCHLE. The red light has come on. I was——

Mr. DUCHENEAUX. That was on when I started. [Applause.]

Senator DASCHLE. That was the best defense I have seen in a long time.

Mr. DUCHENEAUX. Thank you very much. [Applause.]

The CHAIRMAN. I want you to now notice the red light has gone off.

STATEMENT OF CHARLIE JOHNSON, MADISON, SD

Mr. JOHNSON. Thank you, Senators, for allowing me to be here today to testify. I also want to thank Senator Leahy for taking our South Dakota cold, snow, and rain and putting it all up in the northeast. We appreciate it.

As Tom mentioned, I am a family farmer from Madison. My brother and I operate about 900 acres, raise hogs and organically farm. I, my wife, and three children are invovled with NFO, Catholic Rural Life and Peace and Justice Center. I am a newly elected county commissioner in Lake County, involving 10,000 people in our county.

I see agricultural policy being more or less a three-legged stool, Tom, Patrick, Kent, dealing with ag credit, tax policy, and farm income. You have to work on all three in order to solve the problem and find a solution. I will go first to tax policy.

I think we made some major accomplishments in the 1986 Tax Reform Act. We eliminated investment tax credit, we eliminated the exemption of capital gains, and several other measures. I think we made tax policy more suitable to agriculture, in doing that, passing that act. But we need further reforms.

We need income averaging restored, we need cash accounting eliminated, referring to the multi-million dollar ag corporations that are using cash accounting to get them off the hook. We need to lengthen out depreciation so it relates to the useful life of a farm asset rather than a 5, 6, or 7 year quick write-off. The only one to take advantage of those type of measures are the tax loss farms in American agriculture, not the family farmer.

Also on the sales tax here in our local economy, I kind of find it ironic to have a tax increase and call it economic development, then to ask the Federal Government to subsidize the regressive tax system. I guess I disagree with you, Tom. There is no business for the Federal Government to subsidize a regressive tax. If we have got a problem with our sales tax situation, we, the State, need to solve that problem.

And we do have key agriculture Senators on the Finance Committee. Tom, I guess you are in the unique position of serving on two powerful committees; Senate Finance and Senate Agriculture. I guess Senator Grassley is on Senate Finance and I think Senator Durenburger, so three—we have three Senators on those committees to help us on this tax policy issue.

Credit programs. I think we need to have a major restructuring on ag debt at the Federal, State, and local level, combination of all three. I think we need to have that restructuring rather than the present situation where we are forcing operators to go into farm bankruptcy, chapters 12, 11, 13, and 7. We need to do it on the basis of modifying interest rates and lengthening out payments. Maybe some debt forgiveness. The main thing is lengthen out the debt and get it at a serviceable interest rate.

We should target credit on need, not just on equity. If young beginning operators want to get in farming, we need to provide that credit so they can get into their first major asset purchase, whether it's a major piece of equipment or a piece of property. We shouldn't allow credit just to be used by those individuals or operations that have equity. In fact, there should be limits placed on the operation because what you have is wealth begetting wealth. You have agricultural capitalism developing with those operators or those operations that have the equity. The wealthy are able to capitalize the operation and deny entry into agriculture to those beginning operators who want to get started.

We need to take a good look at the sins of our past. For example, in my home county there was an operation that was financed by the Federal land bank to purchase 128 quarters of lands in eastern South Dakota. Our own cooperative did that. One hundred twenty-eighter quarters of land. That operation now is in bankruptcy. But who is going to take the fall on that one?

Price, I guess before we get into the farm prices we need to make sure that we have got credit-tax policy lined up, Tom, because price without principle is—I'm going to use frank words—like shouting in the wind. You need to have those other public policies in line in order to deal with—to try to increase farm commodities.

The CHAIRMAN. We may revise and extend remarks.

Mr. JOHNSON. But I think—I am trying to drive a point here, that we need to define ag policy to be a well-rounded policy, not just farm prices.

The present farm bill, I guess I would sum it up as being a laugh, a joke, an insult to intelligence. I think it needs to be written off the book and we need to start from scratch and build a better farm plan.

As a matter of fact, the Harkin farm bill calls for higher grain prices, and not through welfare payments, but rather through support loans. It includes the referendum vote, includes a workable credit section in that bill, and, of course, it cuts out the welfare payments.

Collective bargaining, that is a whole term I would like to touch on real quick. It produces pricing through production, producers going out and getting the price for themselves. You have those provisions in the Capper-Volstead Act that allows you to go out and obtain a price in the marketplace.

We need to put the real responsibility back on ourselves. There is going to be no white knight in shining armor showing up to save us. There is going to be no super saver. It's not going to be Tom Harkin; it's not going to be Tom Daschle; it's not going to be Dan Rather or any other media person. The responsibility falls back on us, the producers.

We have the responsibility to pay our own loans. We have the responsibility of getting a price for our production. And we need to work with our fellow producers to put our price in that production and not depend on the Federal Government or the whims of nature to put a price for our production. We have to be responsible for ourselves.

The CHAIRMAN. With that point, we will put the rest of your statement in the record.[1] And without the constraints of time, I would be glad to go on and listen further. I do not, however, want to run the risk of others who have come here to testify not being able to testify.

Mr. JOHNSON. Thank you.

The CHAIRMAN. I thank you very much.

STATEMENT OF RON WILLIAMSON, GARRETSON, SD

Mr. WILLIAMSON. Mr. Chairman, members of the Senate Agriculture Committee, friends and neighbors.[2] In order for rural development to have meaning for communities like Garretson, South Dakota requires that its citizens have opportunities to make a fair living within that community. If not, people will leave their community, and no plan for rural development will stop that exodus.

For a healthy rural economy to exist in South Dakota requires a stable family farm structure. Unfortunately family farmers here are being forced into bankruptcy and driven off their land because of one simple fact; the Federal Government, which sets the price floor for agricultural products, pays farmers less for their commodities than it costs to produce them. This pricing policy has been pursued in order to offer agricultural supports at a bargain price.

---

[1] As of press release the statement of Mr. Charlie Johnson was not received.

[2] See p. 313 for a letter from Mr. and Mrs. Williamson.

The results of these record low prices have been devastating to both the farmers of this area and to the taxpayers.

It has been estimated that one-fifth of the farmers in South Dakota believe they will no longer be in agriculture at the end of the year. This pattern seems to be accelerating, especially in this area. Furthermore, our citizens are still paying for the $30 billion being spent to facilitate this exodus.

A part of the enormous social upheaval this is creating for farm families in South Dakota, our current farm program is threatening to permanently alter the nature of our food and agricultural system. Much of the land, equipment and resources previously owned by family farmers is being transferred to banks, insurance companies and giant agribusiness. We can see firsthand that our food supply is passing into the hands of the few large corporations. In addition, this trend has obvious harmful ramifications for land ownership.

In talking with friends and neighbors, we can all agree that the Federal farm policy is vitally linked to the health of our community. We can accept the Federal law that dictates prices for our products as well as who will consume them. We realize that if Federal agricultural policy is not changed immediately and drastically, our people will be forced to move to nearby cities. Then talk of rural development will be meaningless.

The end result of the current farm program is clear to us. We cannot lower the price of our commodities and make up the difference with Government checks. We cannot even consider new rural development ideas until the present farm bill is reopened and fundamentally reworked. We ask that this committee carefully consider the Save the Family Farm Act recently introduced in Congress by Senator Harkin and Representative Gephardt. We commend Mr. Harkin and Mr. Gephardt for taking this courageous action which has provided hope for many struggling farmers in this community.

The Harkin/Gephardt approach will allow farmers to decide for themselves whether they wish to participate in a farm program that would promise a fair price in the marketplace by enrolling in the effective supply and management program. The Save the Family Farm Act would limit the quantity of the commodity a farmer could sell to overcome current levels of overproduction, but would pay the farmers a fair price and eliminate the need for Federal deficiency payments. This would save the taxpayers an estimated $15 billion per year over the current farm program and allow our family farm system to continue.

Since 1980 agriculture has lost 250 billion dollars' worth of equity and asset value. As these land and equipment values fall, the tax base in each of our towns and school districts dwindles. Here it is becoming impossible for schools, cities, counties and even our State Government to maintain services because of the drop in property values. Rural banks are in trouble. The Farm Credit System is near insolvency.

This condition is a direct result of Federal farm policies that call for reduced farm income. This condition is a direct result of the 1985 farm bill and all those before it which have ignored the idea of giving to the farmer a fair return for his labors.

Rural development cannot proceed until our present Federal agricultural policies are restructured. Rural development cannot proceed until we can be assured that there will be people in rural communities.

We cannot wait for the 1985 farm bill to work. It is a proven failure. Therefore, I ask that as a prerequisite to any discussion of rural development, we address the real issue of creating a new farm bill which will provide rural communities with an income to develop themselves. Thank you.

The CHAIRMAN. Thank you very much.

Senator DASCHLE. Chairman, our next panel is going to be comprised of two members. They have come a long way and have a great deal to say. They have been people to whom I have gone for advice and direction ever since I have been in the U.S. Congress. Pete Waletich is from Langford and Carvin Guy is from Veblin. I would like them to come up and make their statements at this time. Pete, go ahead.

STATEMENT OF PETER H. WALETICH, LANGFORD, SD

Mr. WALETICH. First of all, I would like to thank you, Senator Patrick Leahy, Chairman of the Senate Agriculture Committee, Senator Tom Daschle, other members of the Senate Agriculture Committee, for giving us this opportunity to visit with you today. You can't imagine how much this means to South Dakota farmers to know that someone really cares about what is happening not only in South Dakota, but throughout the United States and in the trading world.

We have a real big problem ahead of us at the present time. And if all of us work together, I do firmly believe that we can come up with some solutions to solve some of our problems that are facing us today.

My first concern is the future. Just who is going to have control over the land in the future years? This may not sound like too serious of a problem at the present time, but if things keep going the way they are, they could develop into something that would be impossible for anyone of us to control in the future.

Let me ask you one question. What is wrong with the family farm operation producing food? We are about the only segment of our economy that can buy retail, sell wholesale, and produce a surplus product that is needed worldwide. Also you will find a consumer protection plan that has been put together by five diversified farmers who are concerned about the present condition of agriculture in our area. We believe that consumer protection plan has some ideas that could prove to be important in trying to solve our current economic problems which we are currently facing.

We need a plan to ensure sound soil and water practices. This plan also should ensure America and the World of a stable and trustworthy food supply and provide a feed grain and livestock reserve for future emergency needs. The plan would also contain provisions for the Government to receive its fair share of revenue by eliminating existing tax loopholes and mismanaged agricultural programs which currently exist.

I firmly believe if we could give this plan a chance, and put the money and profit back to the American family farmer, this will enable him to show a profit which will improve the economy of rural America. If a farmer does not comply with the stipulations of the plan or cannot compete after having been given a parity pricing outline, he should seek employment elsewhere and not be a burden to the Federal Government.

In summary, it doesn't make much sense for the United States to be a police power traveling all over the globe when right under our feet—foreign investors—big businesses are purchasing our prime agricultural land to be used for personal tax purposes.

Think about who will be producing our food and where food will be produced in the future when a lot of our prime agricultural land is being lost to improper farming practices, wind and water erosion, and urban development. Year after year, 23 percent of all cropland loses 5 tons of soil per acre per year in wind erosion and approximately 1 million of acres to urban development.

The way our American system is working at the present time, there is no way a young farmer can economically purchase and operate our agricultural land, when the young farmer is in competition with big business that is using agriculture as a tax loophole.

So, let's put the American farmer on the 50 yard line, give him 5 years to get a touchdown so that he may be able to operate and produce food at a reasonable cost to all consumers, or turn the ball over to foreign investors and big business so they can score by eliminating many consumers' jobs, depriving the Federal Government of badly needed tax dollars, and jeopardizing our economical food supply and suppliers that exist today. Be careful and cautious not to kill the goose that laid the golden egg. Developed and submitted by: Peter H. Waletich, Langford, SD, hog farmer, 16 years; Carvin Guy, Veblin, SD, cattle producer, 43 years; Clark Hugget, Roslyn, SD, cattle and grain producer, 7 years; Dale Larson, Langford, SD, grain and cattle producer, 25 years; Duane Larson, Langford, SD, dairyman and grain producer, 19 years.

[The following material was received for the record:]

Consumers Protection Plan

GOALS

1. Provide an ample supply of food at a cost bearable to the American taxpayer for all segments of Agriculture.

A. We need help to keep our family farm operations producing food economically and efficiently and also discouraging large producers from taking over and setting an enormous market price for their products produced. This will provide a reasonable food policy for all consumers.

B. Big business means buying and selling direct, eliminating many, many jobs.

2. Have a plan or outline that we do the best possible job to insure that we preserve our soil and water for future generations.

A. Conservation of Soil.

1. Adopt a sound conservation plan adaptable to each conservation district.

2. Include such practices as shelterbelts, grass waterways, no till.

B. Conservation of Water.

Adopt a water conservation plan to preserve our underground aquifer so that they will supply an ample supply of water for future generations.

3. Provide a program that we carry over some of our surplus for emergency or drought conditions.

A. Don't list an inventory as surplus.

B. Total acres of each farm should have set-aside acres with good, long terms (5-10 years conservation practices).

C. Have a certain percent of our land in a program that conserves the soil, provides aid when emergencies or disasters strike: 1. Water-bank; 2. soil-bank; 3. CRP.

4. Keep the American farms in the hands of the American farmers.

A. Offer a workable credit plan to young prospective buyers and a tax break to sellers that sell to the above.

5. Create a plan that will give the Federal Government its fair share of income in the form of taxes from all taxpayers.

A. File separate income tax returns for each business.

B. Eliminate tax loopholes set by not allowing big business and non-farm personnel to use agricultural losses as a gain in another business.

C. Eliminate using tax investment credit by non-farm producers.

6. Eliminate the excess spending in administration costs of ineffective farm programs.

7. Discourage one segment of Agriculture capitalizing on another's loss.

A. PIK Program.

B. Dairy Bill.

Before passing any bill have a comprehensive study made and have an advisory board with representatives from each segment of agriculture i.e. Rancher, Dairy, Crops.

8. Agriculture income should be on a comparative base equal to other businesses due to the fact that Agriculture turns over seven times compared to three in other businesses.

9. Imported goods should be inspected with the same standards as domestic inspections.

A. All agricultural products that are used for human consumption should be labeled as to their origin and quality.

10. If any embargo of farm commodities takes place, there should be a minimum price for the commodity which would maintain the status quo price for the period of the embargo in order to prevent market prices from falling sharply.

11. Example of what could solve farm problem.

A. 100 percent parity on the first $100,000-$250,000 changing with inflation rates, of commodities produced.

B. Have the program last 5 years.

C. $50,000 maximum payment per individual.

D. Limit of 3-5 individuals per corporation.

E. Limit the above to those that are actively engaged in farming with 75 percent or more of their income from the sales of commodities produced on the farm to be determined by the local ASCS Committee.

F. An example of 100 percent parity for the first $100,000 of goods produced:

Wheat parity price: $100,000 ($7.44) = 13,440 (35 bu. per acre = 384 acres).
Hog $89.10 parity: $100,000 ($89.10) = 112,359 (220 lbs = 510 hogs).
Cattle $98.10 parity: $100,000 ($98.10) = 102,040 lbs (1,000 lbs = 102 head).
Milk $22.30 parity: $100,000 ($22.30) = 448,430.49 lbs (11,000 lbs = 40 cows).

Senator **DASCHLE**. Thank you, Pete. Carvin Guy.

STATEMENT OF CARVIN GUY, VEBLIN, SD

Mr. **GUY**. I am a rancher from Veblin, South Dakota. I have a father and son operation. I have been on the conservation district as a district supervisor and been on the ASC board and on the Great Plains Board for 35 years now. I guess that is the reason I'm here, that I have some understanding of the conservation of this great Nation. And I thank the Senator for giving me the opportunity to testify.

I will just have amendments to the emergency farm bill. I think the most important part today would be on the conservation reserve plan which I think is an emergency. I think this board ought to be aware of the conservation we need at hand.

I'm sure that Tom and I have met on them and hashed them out and thought it was probably the best part of the 1985 farm bill, but after meeting with our board on Monday, I think we are as far away from each other today, because when a good plan is documented in Washington, by the time it gets to our district office and gets down to the district supervisors which, isn't actually the same plan at all. It is out of order and we don't have any jurisdiction over it. It's already cut and dried when it gets to our hands so we don't really have any input in that at all. I think we could do a lot of good because it has to be the local districts that have the final say.

I will start in on the amendments. I won't get through it in time, but foremost amendments to this existing farm program, Conservation Reserve Program.

Any class land four and above that is seeded to grass should be qualified for the CRP program. Now, this land is seeded to grass and would be of no extra cost to the Government or to the farmers for the purchase of grass seed which is in short supply in some cases and too expensive to purchase. This land has been seeded to grass or alfalfa, and been under good sound conservation management.

Right now the last three sign-ups, I can definitely say the ones that got into the program are those who abused the land the worst. Conservation boards have served to documenting good conservation practice, and all of those people did not qualify before. They will not even qualify now if we get an emergency plan because I saw this Monday in our office, they called the State and they called Washington, and by the time it got back to us, it will all be over. So we definitely have to have the rules. And actually the alfalfa and the sodbuster bill could be documented and we should go along with your own document in Government because alfalfa is a crop rotated and that should have priority.

One other thing that should have priority is brought out. We don't have a document. It is documented by another lady, and I promised to bring this out; that on all the conservation reserve acres, the producer ought to have a say as to what he wants to do with conserving acres. And in South Dakota I definitely know that these conservation acres, if the producer was willing to plant them to grass and leave them there without no cost to the Government at all, they should have the opportunity to do so, whether it be 1 year, 10 years or the rest of their life. The base acres—should be able to plant to grass at no cost at all to the Government.

Then they could be maintained by the producer because they have proven the fact that they can plant wheat year after year on this land and produce corn year after year, so they are the only one that knows how to handle the land. That would be at no cost to the Government and that producer may feel that was right.

[The following material was inserted by Mr. Guy:]

PROPOSED AMENDMENTS TO EXISTING FARM PROGRAMS

I. Conservation Reserve Program

A. Any land class IV and above that has a cropping history of alfalfa or grass should qualify for the CRP program.

1. This land is now seeded to grass and would be of extra cost to the government or farmers for seed purchases of which is in short supply and in some cases too expensive to purchase.

2. This land that has been seeded to grass or alfalfa has been under good sound conservation management.

B. All new tree planting should have priority and be eligible for the CRP.

1. No preference of land type should be required because this land will be out of production and will offer the best protection possible for conservation and wildlife habitat.

C. The Conservation Reserve Program should be fully explained in detail to all Conservation districts prior to its enrollment. Any amendments added to the program should be retroactive to all members that have enrolled in prior signups.

D. The crop acre basis should not be affected when you enroll any grass or alfalfa acres in the CRP.

E. All set aside acres could be planted to grass and the farmer could leave it as set aside as long as he wish too.

II. Payment in kind certificates should be eliminated and any payments with farmers should be in the form of grain taken out of the Federal Grain Reserve.

A. Livestock feeders in disaster areas suffering losses should be able to purchase grain from government reserves instead of grain handlers at a reduced rates determined by the local ASC offices.

1. This will be one step in the direction of eliminating our grain inventory. This will be a benefit to the farmer as well as to the American taxpayer.

III. Farmers should receive the same storage rate and handling charges as elevators when they store government grain.

IV. Have the Federal Land Bank charge the same interest rates on old as well as new loans.

A. Use procedures similar to FmHA for interest reduction.

V. Eliminate Commodity Production Reports to prevent false and misleading production reports from adversely affecting our markets.

VI. Define family farm corporations

A. $50,000 maximum payment per individual.

B. Limit of 3-5 individuals per corporation.

C. Limit the above to those that are actively engaged in farming with 75 percent or more of their income from the sales of commodities produced on the farm to be determined by the local ASCS Committee.

Senator DASCHLE. Thank you, Carvin, very much.

One of the problems we have, Mr. Chairman, in South Dakota that I hope we can resolve is that brome grass is not allowed in the conservation reserve. And for the likes of me I can't understand why. I think it ought to be included with the other grasses. I'm hoping we can make a change in that regard.

Our fourth panel is made up of three people, Lena Storms, the 1986 Farm and Ranch Woman of the Year from Tripp County which, for your information, is quite a ways from here. Marty Strasburg is here. He is the teacher of the vo-ag class in Garretson. And Reverend Jons is a minister from Dell Rapids. He is very active in the farm support group. So if those three people will come to the panel, we will take your testimony at this time.

The CHAIRMAN. I might say that when Tom says the county is quite a ways from here, I have visions I guess of something being a hundred miles away because last night leaving Sioux Falls I said how far is Garretson. He said around the corner. In Vermont if you drove that far you would have gone through Vermont, through New Hampshire, half way through Maine and getting to the Atlantic Ocean. I was looking for sailboats. This is quite a ways.

I'm glad you were able to make the trip, ma'am.

Ms. STORMS. They didn't spell my name right.

Senator DASCHLE. I was just told that Lena is a schoolteacher and she really resents misspelled words.

The CHAIRMAN. Whoever did that, when we get back to Washington, there is a blackboard in the back of the room. They will have to write it 150 times.

Senator DASCHLE. We are pleased. And as I said, how far is Tripp County from Garretson? How many miles have you come this morning to get here?

Ms. STORMS. We put them on yesterday, but it was 100 and what—have to ask my husband—256 miles.

Senator DASCHLE. About 120 or so? It's more than 100 miles.

The CHAIRMAN. That is going around my State three times.

Senator DASCHLE. Well, I want to thank the panel for coming this morning. Lena, since you are a teacher, since you are a woman, and since we misspelled your name, I am going to let you start first.

Ms. STORMS. I am in bad situation. I have my annual laryngitis. It's all because I kiss too many babies. I'm not a politician. I know you have to kiss babies, but I kiss these because they are my grandchildren. And they have runny noses.

Senator DASCHLE. If you will talk directly into the microphone, I think you will be all right even if you have laryngitis.

STATEMENT OF LENA S. STORMS, TRIPP COUNTY, SD

Ms. STORMS. Women are finding in these difficult times—I was told to tell something about the woman's role.[1] They feel the impact of the economy as much as the husband. She suffers some stress in—as you can tell by the white in the hair and wrinkles. We don't need eye shadow because they are already there. But housewives—you have to—I guess she is a real force. She is a purchaser of the groceries and the commodities that we use. You have to cater to her because she is a voter, too. There are millions of them across the United States. I think they're really getting to the housewife and trying to keep our food prices down.

Now, we live on a ranch and we buy about as much groceries as anybody does. People think, well, you are on a farm, you have your meat, your eggs, your things like this, vegetables. But we don't anymore. We don't milk cows. We don't raise chickens. How many places did you pass today where you saw any chickens in the yard? I don't think there are hardly any in South Dakota anymore. And vegetables, yes, a lot of people do have a little garden, and so they do raise some vegetables. But so in reality, we are one of the big consumers of food in the United States.

Now, we are from out west river, like Mr. Ducheneaux. I thought our land related to what he talked about because we raise cattle. There is no program for the cow-calf raiser or the cattle raiser. We don't raise small grain. Our soil isn't suited to that. We have a seasonal income. There are times when there isn't any income, so lots of times the farm wife has to get out and find something to do so she can help take care of the cash flow which we must have to provide food and clothes for our family.

I would like to tell you about our township. You know, a township is a small governing body of the county. It is a very small one because we are abutted on one side by Nebraska and on the other side by Todd County. It's not the usual six square miles. There are

---

[1] See p. 314 for the prepared statement of Ms. Storms.

29 people living there, so the politicians never heard of us. But let me tell you, we are there.

And 5 of these 29 are children. We do have a school with 10 children, but they come from townships around us. We have one church in the township. Nine of the eleven farmers are landowners and whose chief business is ranching. All have cow-calf operations. It's strange, but that's the way it is. We don't raise enough grain to make people want to feed out the cattle. They sell their calves or hold them and sell them as yearlings. Very little grain is raised, a little bit of corn. Three of these farmers raise hogs along with the cattle, and there is one dairy farmer. Chief crops are sorghum and alfalfa.

Of these people, 10 are over 60 years of age and 2 are over 80 years of age. The young people are gone. There are not very many young people in the neighborhood. None of them, however, are newcomers.

I'm not bragging or complaining; we don't have very many debts, but this is the key to newcomers. We are not newcomers and we didn't borrow this high priced money to get things paid for. We have no foreclosures and no bankruptcies in this township. There is very little money paid out by the Government for subsidies. If all townships were like ours, we wouldn't have a problem with the money.

And, Tom, how do the wives help out? Well, we are 40 miles from town. We can't drive to town 40 miles and get our gas paid for. So that is out of the question. Therefore, we have to find something to do at home.

Now, eight of the women plant gardens and preserve their foods. They can what they can. And six of them operate—actually operate machinery, especially in haying season, and assist at calving time and work with the cattle. One person in the township raises chickens and she provides everybody else with eggs. Two have been teachers of rural schools and one is a teacher's aide. Three do craft work or hold craft sales.

There have been no divorces and no separations, no child abuse or neglect. I say, does this sound like a real place to live? Well, of course, we have got problems, believe it or not.

One nice thing about age 60 or over, you know, we are getting to the point where we need someone to take over, but we can't—our sons can hardly see how they can make it. We bought our land at a very low price 40 years ago and paid 5 percent interest. And I will finish up here, I guess. The interest will make the difference. Calves brought $100 a piece then. They bring $300 now. But it was 5 percent; now it's 11 to 15 percent. The interest is killing people.

Where there used to be taxes, on poorer land in the 1930's they sold four cows to pay the taxes on one quarter of land. It doesn't get nearly that much now. So taxes don't bother as much as—so we appeal for unity. We don't want a subsidy. I think this just gets you in trouble.

And when asked—we want to make our own way. We want to skin our own skunks. We had a principal that said just skin your own skunks. I think that is what we have to do around here. We have been given two ends to work with; one to think with and the other one to sit on. And farming is a gamble, so it depends on which one you use. Heads you win; tails you lose. [Applause.]

The **Chairman**. I might say, Tom, that Mrs. Storms raises a point that is of great concern to me. It is a painful one that I have heard far too often. Vermont agriculture is predominately dairy farming—there are approximately 3,000 such farms. While we don't have the grain farms South Dakota has, Vermont farming is experiencing many of the same problems.

It bothers me to see the average age of the overall Vermont population coming down while the average age of farmers is going up. How many times did I hear this in North Dakota with Senator Conrad: "save the family." What they said really hurt, because it was so typical of what I have heard not only during these midwest hearings, but in Vermont, and throughout the country. I have heard the same plea repeated here in South Dakota, too. People say they have a son or daughter who wants to go into farming, but they can't even afford to have them stay on the farm. Parents can't offer any hope, much less any promise for a future in farming.

Well, this has to change. We cannot as a nation suddenly wake up one day and realize it is now time to help the American farmer. We must commit ourselves today to begin finding workable solutions, in order that this next generation of farmers be saved. One does not become a competent farmer overnight—it is a lifetime of acquired skills. So, let us preserve this continuity. I thank you very much for coming today, and for what you are saying.

Senator **Daschle**. Marty Strasburg is our next witness.

Mr. **Strasburg**. There might be some correlation here. I am also a schoolteacher and you misspelled my name, too.

The **Chairman**. We are going to have to put up a blackboard twice as large.

STATEMENT OF MARTY STRASBURG, GARRETSON, SD

Mr. **Strasburg**. As the vo-ag teacher in Garretson, I have been asked to shed some light on how the depressed farm economy has affected the decisions that young people are making in this community. You have been to the school already today and you have seen that only 10 of the 115 or so that were there felt that they would be able to stay in this community. And that reflects the lack of confidence that the students have in their future here.

The trend that I have seen over the past 8 years is that fewer men and women are going to become involved in production agriculture. During the years of 1980 through 1983, 64 percent of those graduating from our vocational agricultural program with the opportunity to enter farming, did so. Over the last 4 years, that number has dropped to 11 percent; gone from 64 to 11 percent. Not only are the recent graduates seeking alternative occupations, but half of those who did enter farming between 1980 and 1983 have been forced to find other employment. While this seems pretty severe, we do feel that this reflects the general statewide trend.

The underlying reason for the decrease as expressed by those students is the present state of the farm economy. Basically entering production agriculture is a high risk occupation.

If they are not going to enter farming, then the question arises who will farm that land. Well, I personally don't have the answer, but it seems to me that any alternatives are certainly less efficient than having the young people who are raised and trained on that farm to operate it. It's sad to think these highly skilled and educated young people who have the desire to enter farming are forced to seek other jobs to find economic security.

Former Governor Bill Janklow made the comment he was concerned with the brain drain that is occurring in South Dakota, that qualified people are leaving the State to find employment. We in agriculture are seeing a similar crisis, if you will. Something must be done to keep our youth on the farm. We can't expect these young agriculturalists to gamble with their economic future.

I as an individual don't pretend to have the answers to our problems, but I would like to encourage each of you to do your best and work your hardest to find solutions. The problems are real, and they need immediate attention. If not, I am afraid our youth will lose all faith in the future of agriculture. Thank you.

Senator DASCHLE. Our last formal witness is Reverend Earl Jons. Reverend Jons has been working with the farm support group. He is a minister in Dell Rapids which is not very far from here.

The CHAIRMAN. It is Johnson.

Reverend JOHNSON. You spelled it right, but he said it wrong.

Senator DASCHLE. As I said, Reverend Johnson in Dell Rapids. And he is a very forgiving minister. Please proceed, Reverend.

STATEMENT OF REV. EARL JOHNSON, DELL RAPIDS, SD

Reverend JOHNSON. When CBS roamed through this area last spring, Jane Bryan, an economist who also writes for "Newsweek," was on the spot in Colorado. She was interviewing a farmer who was doing quite well near where I lived for 6 years prior to moving to South Dakota. Her summation of the current situation in farming was "It looks like for every loser there is a winner. Take it away, Dan."

Thankfully, I do not think that even Dan Rather believed that. There is much empathy for farmers these days and for entire farming communities because I think deep down many of us know that there are no winners if things continue as they are.

We are especially vulnerable here in the Midwest, sitting as an internal colony having to accept the prices set by the east and west coasts. No power for us it seems.

In some ways we are not much better off than our ancestors of a hundred years ago. Survival is still the issue; towns, communities, farmers in quest of a future. Some people easily dismiss this. Just a trend they say, or every dog has its day. And maybe so.

But I think that is cold and the easy way out. It is so very indifferent to the connections, necessarily both practical and cultural, between people and the land. And thus indifferent to some cherished values of human life.

That is the most agonizing aspect for many. I'm not sure most of us even realize this. It's much deeper than we have assumed or stated, this tie to the land. Much deeper than love for the soil or the feeling of the dirt sifting through the fingers, much deeper than love for the independent quality of the farmer's life.

I have heard farmers say that it takes at least 5 years to learn to farm. Not learn some general rules, but to get to know that piece of land. Joseph Sittler, theologian and respecter of creation, tells about a farmer he knows. The farmer's son wanted to tear down the hedgerows and bushes around the farm. He got the idea from "that fancy college down in Ames," the farmer said. But the farmer chose not to do it. The additional plowable land was not enough of an argument. "I like the hedgerows, the bushes, the groves. There are a lot of snakes and birds and mice there and stuff I like. And besides," the farmer said, "it's kind of like God's frame around my picture."

With our minds we look at things, but with the spirit of our minds we behold things. And for many that is anguish at its deepest. We feel this earth cannot withstand the loss of family farms and farming communities. And that tears at us. We cannot afford to lose the quality and variety of life offered there. And the creation cannot afford to lose the quality of care.

So we have hurting people. They have been in control, have cared for the land, and suddenly in a change which came too fast, there is no control. A farmer on a video tape I have speaks of his basic education letting him down, of having no control, no impact. Another one says you get afraid, you don't talk to people, you pull into yourself. You don't want to talk to your landlord, you don't want to see your banker. And when that happens, you let them make decisions for you.

We could talk much about the sense of acute failure, the inability to share the grief. I know some of this. As I finished my first year in the parish I now serve, we had two farmers commit suicide in 1984. I talked to one the day before, so I know some of that failure, too.

More recent experience tells me that we are adjusting. We are facing reality a little better perhaps. This winter I have not received frantic calls from wives who are worrying about their husbands. I have not heard of the hate which people feel for the system which has let them down as in other past years. And other people say the same.

On the one hand, this is good. On the other hand, I hope we are not capitulating to a trend or tiring of the confused struggle to keep some sense of integrity in all this which places the land in the high esteem it should have, not viewing the land merely as an asset with its value dependent on what it would bring in the market, but as a gift from God to be honored and cherished. I hope we are willing to continue to seek out ways to keep the tradition of the family farm alive and well.

The CHAIRMAN. Because it's a good cause, because Senator Conrad has to catch a plane to head north a little bit earlier and I have to head east, you can go first.

Senator CONRAD. Thank you, Chairman Leahy. I just want to thank all of you who participated today. This is the end of 3 days of intensive hearings. We have now heard from over 50 witnesses, had a chance to spend an evening with a farm family and with a small business family. I think we have had an opportunity to take the pulse of the heartland. I am pleased to say that while in terms of the economy it's a weak pulse, I think in terms of the spirit of our people there is a lot of fight left out there. [Applause.] And that is what it's going to take.

The other day we asked a question, how many people have given up hope. Not a single person in that audience raised their hand. And that, I think, is the real measure of us as people because we haven't given up hope. We shouldn't give up hope because it's with hope that we keep going and keep working and keep fighting for a solution to the problems that we face. So my final words to you would be—do not give up hope, do not stop fighting, because there can be a change.

Our job is to go back to Washington and carry the message that we have heard here, that there must be a change. There are parts of the farm program that I have no doubt are working. Cotton, rice, and peanuts are probably not a problem. But I think we know that the part of the farm bill that affects us is not working. It's our obligation to go back to Washington and convince everyone that there has to be a change. That is what I intend to do. Thank you very much for having me.

Senator DASCHLE. As I said, we are going to leave a little bit of time even though the Chairman has to get back to Washington. I might say that if Kent looks like he is in a little more hurry than the rest of us, he is catching a plane, but the reason he is catching a plane is that he is getting married on Saturday.

The CHAIRMAN. I know that Saturday is Valentine's Day. If he ever forgets his anniversary, he is in deep trouble.

Senator DASCHLE. Mr. Chairman has said that he certainly does want to hear from other people. And to the extent that we have some time, I want to call on them at this time. Please do two things. First, identify yourself. And, secondly, be cognizant of the need to share our limited time with a lot of people, so try to keep your remarks as brief as you can. We will call on the first person who stands.

Dale Larson.

Mr. LARSON. Do you want me to come up?

Senator DASCHLE. You can just speak from there. That way we can save time. Speak loud.

STATEMENT OF DALE LARSON

Mr. LARSON. I just wanted to say Senator Conrad said something about that nobody has given up hope. Pete and I counseled with one of our neighbors yesterday afternoon for about 5 hours. And FmHA has given him such a bad time the last 2 years that—and we tried till midnight last night to get him to come today, but they told him the other day that—he is a dairy farmer—and with no prenotice, he is going to sell his cows tomorrow and file for bankruptcy.

The man has farmed about 10 years and assumed some debt that his father had and never expanded his farm's operation, so he didn't want to be a land baron. He has a family. I think basically it's FmHA harassment that has just driven him and his wife to despair. She has worked 12 hours a day in a second job for over 2 years and they are just giving up.

Senator **Daschle**. That is sad and that is being replicated all across this country right now.

The **Chairman**. I am so sorry for that kind of pressure that makes a person react that way. It tears every one of us, it has to, whether somebody is on the Agriculture Committee or any other committee. Just as human beings it has to.

I will tell you, I have heard it at every single stop that I have made. For some reason the administration has decided that they are going to tear apart the whole reason for Farmers Home. They can't do it by passing a law because they are not going to get it. Republicans and Democrats alike would vote to continue Farmers Home for the reasons it was originally established.

Now, there seems to be some thinking in Washington they are either going to do it by regulation or by implementation of policy, or by sheer harassment of some of the people who go there. I want them to understand it's a new day. We are not going to stand for it. The Secretary of Agriculture is going to hear from me first thing in the morning. [Applause.]

I have had it up to here with those who feel that they can ignore the plain intent of the law, the plain intent of an act, ignore the fact that they are dealing with human beings and not numbers. The Secretary will hear from me in the morning. I know he is going to be hearing from Tom and Kent. He is going to be held to pay unless this changes. [Applause.]

Senator **Daschle**. If you could, I would like to have the name of the person. I would like to call him personally.

STATEMENT OF RAE FISHER

Ms. **Fisher**. I am Rae Fisher. I am part of the Farmers Union. The last time I had a problem I called Milton Hertz, administrator of agriculture in Washington, DC. And I found out that in the 1985 farm program farmers cannot plant grass and use those strips—or I call them strips, whatever you want to call them—and use that land for set-aside year after year without losing base because we are required to farm our set-aside two out of three years.

We got way more rain last fall than usual. Ordinarily get 2 inches. Last year 4 inches in a half hour, 3rd of September, when our ground was already planted to wheat, and we got another 4 inches then. So our summer wheat this year, a lot of it drowned out. Some of it we were able to replant. What we could not replant is now eroded.

We have lost about an inch of soil on our summer field ground. That is why I have been working so hard because, as you know, we are required to set 27 and a half percent of our wheat base aside. I heard recently that they are going to increase that to 35 percent. I haven't heard anymore. I don't know if that is true or not. If it's 35 percent of our feed grain set-aside, that means we are setting aside a third of our ground.

Now, we need to be able to put that to grass to prevent erosion. I am asking that you do everything you can to get that changed immediately so we can plant that grass into those strips this spring.

Senator **Daschle**. Well, Rae, I think you make a good point. We are going contrary to the whole idea of the conservation reserve, the sodbuster and soil buster and everything else. We certainly have to make this more practical, and you raised a good point.

Ms. **Fisher**. In our case, we have very little ground that qualified for the reserve. We just have a very little piece here and a little piece there that is so small our land is all—so it doesn't qualify. But we want to be able to put big pieces into land—like our ground is all strip crop. We want to be able to put strips into grass. That is why I talk about strips.

Senator **Daschle**. Can I have your paper?

Ms. **Fisher**. I have got several copies.

Senator **Daschle**. Over here with the brown hat.

STATEMENT OF DICK H. NORDMANN, LENNOX, SD

Mr. **Nordmann**. Senator Daschle, my name is Dick H. Nordmann from Lennox, South Dakota. I am coming out to the fact that I am going to hit the U.S. Government right square between the horns because they are playing a role of communism against me and my State. I don't like it and will not stand for it. So the role of their communism is if we don't pass strict laws in this State, we don't get no road funds. That is the key of communism and a threat to my State.

I am asking Senator Daschle when he gets back in Washington, DC, to ask the Government to withdraw their role of communism against my State and the threat. I am asking each and every one of the ladies and gentlemen in this audience to pick up a pen and paper and write a letter to Washington, DC, and express your comments about this, and mail it to the biggest wind bag in Washington, DC; Ronald Reagan. [Applause.]

Senator **Daschle**. I have a feeling we are going to be editing those remarks.

STATEMENT OF BARBARA KILPATRICK, ASHTON, IA

Ms. **Kilpatrick**. My name is Barbara Kilpatrick from Ashton, Iowa. I am really pleased to hear that both of you gentleman intend to speak with the Secretary of Agriculture. When you do, I hope you will take with you the message that his job of Secretary of Agriculture is to implement the farm programs that we already have. His job is not to go to Anaheim, California and to attend a convention of an organization that professes to be a farm organization and then promote their policy.

Senator **Daschle**. Thank you. Let me make sure that—everyone that has made statements today, I need you to give me the correct spelling of your name to our staff to make sure that for the hearing record, that we have it as a complete record.

Over here in the blue sweater.

STATEMENT OF PHILLIP K. CYRE, HAZEL, SD

Mr. **Cyre**. My name is Phillip Cyre. I am not aligned with my organization as a director, but I would like to think as a farmer that perhaps I am in the main in that regard.[1] Many times today we have heard—we have heard remarks from persons claiming to speak for all of us. As an individual, I want to come today and state my total aggravation for the farm policy at the administrative level.

---

[1] See p. 315 for the prepared statement of Mr. Cyre.

The President came to our State and offered us hope when he needed votes. He didn't get the votes, and he took away the hope. He reduced our projected program by 10 percent per year. That is his suggestion.

I have two basic areas I would like to have read into the record. That is, number one, in South Dakota we are in the business of full-time agriculture. We are not in the business of growing 200 acres of corn and 4 acres of Christmas trees. We want to be in the business of production agriculture. I do.

If we are going to continue in that vein, the policy of the administration has to be put your money where your mouth is. If it's supports that we are seeking to promote, then we must be competitive with our competition. If they are going to undersell at $8, then we are going to get down there with them or we are going to have to try a new policy. I think you agree with that.

The new farm bill you are trying to promote, I promote. We have a coalition of groups that say that they promote that. We have one organization that claims to be a farmer organization speaking against that consistently. I am not a member of any group, and I will say it, the Farm Bureau constantly puts the wrench in the works. They are the only organization that the administration will listen to. I am tired of it.

If we can get the policy implemented that we are here espousing, then I am satisfied with the present farm bill. But they have proven they won't put their money where their mouth is. Those items are change, drastic change through the supply side, control.

I would like to make other remarks into the record, but at the time I don't want to take any more time. But as a farmer I want to speak for myself for one. When I started in 1972 I was an independent businessman. Today I am a contract grower for the Federal Government. [Applause.]

Senator DASCHLE. Loren back there. Loren Paulsen, Flandreau.

STATEMENT OF LOREN PAULSEN, FLANDREAU, SD

Mr. PAULSEN. Thank you, Tom. I am Loren Paulsen from Flandreau and am a director of our local rural electric cooperative which serves this area. Mr. Harold Hunter, the Administrator of the Rural Electric Administration, has since 1981 conducted a campaign to terminate the REA loan program.

His arguments take two forms. One, the job is finished; and secondly, REA isn't helping rural America anyhow.

The problem with Mr. Hunter's statements is that they ignore the area mandate coverage required by the Federal rural electrification law, and more importantly, they are gross misrepresentation of data taken from selected areas and extrapolated to give a very inaccurate picture of conditions in rural areas, and especially in the Upper Midwest.

Density and revenue data show that in South Dakota a rural electric system averages 1.7 consumers and $1,900 revenue per year for each mile of line compared with 30 consumers and $45,000 revenue per year for each mile of line from investor owned systems nationwide. These disparities in investment required per consumer and revenue received make it extremely difficult to build and maintain electric systems that provide affordable service in rural areas.

The President's budget proposal is to terminate the direct loan program to rural electric distribution systems, to terminate the guaranteed loan program for power supply systems, to raise the interest rates on loans made in hardship cases where a system has been devastated by storms or other calamities, to stop funding of all future power supply projects, and to renew the efforts to sell the power marketing agencies. The effect of all these proposals would be devastating on rural America and would raise our power costs tremendously.

We suggest that perhaps rather than spend our time and energy fighting the administration's proposal, it might be time to go on the offensive. With the change in the balance of power in the Senate, and with the continuing need to provide a strong and viable rural electric program, a new emphasis should be put upon preserving this vital program that has served this Nation so well.

Thank you.

Senator DASCHLE. Thank you, Loren.

STATEMENT OF ROXY KERKVLIET, BRYANT, SD

Ms. KERKVLIET. I am Roxy Kerkvliet, a farmer from Bryant, South Dakota. And, Tom, I am here today—I have my testimony in written form. I have testimony from friends and neighbors of mine who could not be here because they are at home; one in a meeting with his lawyer on foreclosure and another one who is a farm wife who can't take away from her job because she is trying to support her family. I would ask that I can submit this testimony.[1]

Senator DASCHLE. Please.

Ms. KERKVLIET. There perhaps is other written testimony I think brought here by people that maybe they could——

Senator DASCHLE. Let me just emphasize that fact—thank you, Roxie—that if you have statements the Chairman indicated that the hearing record will be open for 1 week. So please get it to our office right away. We will see that all of your input is put into the official hearing record from this trip.

We will take one last question. The chairman has to—yes, go ahead.

A VOICE. John F. Kennedy said I have a dream. The dream is to put a man on the moon. Martin Luther King said I have a dream, a dream to make the black people free in America. I too have a dream; a dream of the return of economic prosperity to our family farms and businesses.

Senator DASCHLE. Thank you, very much.

Mr. Chairman, I will turn the microphone back to you. And let me just say that I am certainly one of the luckiest people I think to serve in the U.S. Senate; lucky in that you have met my family, the people that I represent, the people that sent me there to send our Government a message that we do need changes, that we have a quality of life we want to save. We have a quality of life we want to share with future generations. We haven't inherited this land from our farmers, as someone once said, we borrowed it from our children. We want to save it for those children, for those children's children, and turn it over to them as good as the way we have been getting it.

---

[1] See p. 315 for the material submitted by Mrs. Kerkvliet.

And so we have got our job to do. Our task is before us. They have given us their direction and their best advice, their friendship and their hospitality. I know I speak for each and every one of them in thanking you for coming out.

Let me, before I turn it over, introduce someone who is very special to me and even more special to our chairman, and who is also taking the time to travel with us this whole time. And that is his wife Marcelle. I would like Marcelle to stand. She is [applause]——

To Chairman Patrick Leahy of our committee, let me just ask for your continued sensitivity to our concerns, your continued indulgence for the kind of direction that we'd like to take on the committee. We certainly ask that you help us as we go through the next couple of challenging and most difficult years.

The CHAIRMAN. Thank you, Tom. Thank you very much. I want to thank the people of South Dakota for sending Tom Daschle to the U.S. Senate. Not only is he a good and close and dear friend of mine, but he is a voice that is so, so important in the Senate.

He is strong. You would have been proud to have heard him in the Senate Agriculture Committee; his questioning of the Secretary of Agriculture, standing for the principles that you stand for in making it loud and clear that South Dakota's voice must be heard. Not just South Dakota's voice, American farming voices, rural America, standing for the principles that really unite us, no matter what our political background is.

I want to say just one other thing and then close. I have been in the Senate now for 12 years and I am beginning my 13th year. I've spent literally thousands of days in debates on the floor of the Senate. I have been to hundreds, perhaps thousands of hearings in committees; the Judiciary Committee on which I serve, Appropriations Committee, the Agriculture Committee, and during the years I was on the Intelligence Committee as vice chairman of that committee.

Most of those hearings have been in Washington, but there have been hearings in my own State and other States. In 13 years no series of hearings have begun to have the impact on me personally as one Senator as the hearings we have had during this past 3 days throughout the Upper Midwest. The first time we tried to put together the logistics and we had one problem after another figuring out how we could get the Senators together, I said is this trip worth it?

This trip was worth it. This trip was worth coming back to the U.S. Senate this year for me. I cannot think of anything that has made a more solid impression on me in the years I have been in the Senate than this week; nor anything that has emphasized more to me how important our committee is going to be.

Now, each one of us, Republicans and Democrats alike, are going to have to work to try to find the answers to problems that I once thought were unsolvable, but now I know that for the good of our whole country they have to be solved. We have to work at them. So thank you so much for coming.

[Whereupon, at 12:45 p.m., the committee recessed, to reconvene, Monday, March 30, 1987, at 10:30 a.m., in the Rural Development Center, Tifton, GA.]

EXAMINATION OF PROBLEMS AFFECTING THE FARM COMMUNITY

Rural Development and the Health of Georgia Commodity Programs

---

MONDAY, MARCH 30, 1987

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Tifton, GA.

The committee met, pursuant to notice, at 10:30 a.m., in the Rural Development Center, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present: Senators Leahy and Fowler.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. I'm Patrick Leahy and I call to order the meeting of the U.S. Senate Committee on Agriculture, Nutrition, and Forestry, and I want to thank the good people of Georgia in making available this place to have our hearing today. I appreciate it very, very much. One of the things I said when I became chairman of the Senate Agriculture Committee this year is that I wanted to get the committee out of Washington and get it around the country to hear from the people who are most affected by our agriculture policies.

We were fortunate in adding to the Senate Agriculture Committee this year Senator Wyche Fowler who filled in an area that addressed the problems of Georgia, everything from rural development to commodities. We did not have anyone on the committee since Senator Talmadge who could be a strong advocate for the wide variety of agriculture that you have here in Georgia.

As part of that advocacy, during the very first meeting we had Senator Fowler said to me, "Well, if you really want to get your committee out, bring it down to Georgia. I'll bet you haven't spent much time in Georgia," and I had to allow, except for the 3 or 4 days it takes to change flights at the Atlanta airport, I had not spent a great deal of time in Georgia.

I said I'd come and what we have done, of course, has been to follow the same procedure as with the other hearings I've held around the country in North Dakota, South Dakota, Iowa, Nebraska, and Minnesota; we stay with families in the area instead of in a hotel or motel because we tend to hear more of what's going on. I stayed with the Norman family last night and had a chance to chat with them last night and at breakfast this morning and that should keep us going for the next 3 days. Your Commissioner, Tommy Irvin, was making sure I heard a lot here.

Both Wyche and I come from rural backgrounds and in this, I think, we are kindred spirits. He did tell me, while they normally don't have people from my part of the country down here often, that he would vouch for me even though I'm a Yankee, and he said if people have trouble understanding me that he would be glad to translate.

What we have to do is to find out not only your problems but your strengths in rural Georgia; we also want to find out how the commodity programs that we established in the 1985 farm bill are working. Rural America has a lot of troubles; the eighties have been a decade of decline for many small towns. We have seen the closed store fronts. When we see farms go under then stores go under, and the implement dealers go under and the grain stores go under. We have seen how these problems have affected rural America, from the lack of factories to the lack of Main Street.

Now, in just 2 years, 1981 to 1983, we lost a half million jobs in rural counties. Of the 43 million jobs to be created in the next 25 years only 14 percent are projected to be in rural areas. We can't have that because it means that the small towns end up exporting their most important crop, their children. You have parents telling sons and daughters in rural areas that there's not a future for them there and that they're going to have to go somewhere else. That's wrong. It's going to be devastating to rural Georgia just as it's going to be devastating to Vermont and the rural areas of every one of our States. If we don't make a change then we are going to see one out of every eight rural residents too poor to meet their basic minimal needs and a very large percentage of the rest unable to even find jobs. So rural America needs a voice, not only because of their population, a third of America, but because it's right and because it strengthens our Nation to have a strong voice for rural America.

We found that Members of Congress from both parties share our concern. I think that's the kind of glue that holds the Senate Agriculture Committee together. We can be the voice for rural America, and I hope that we can build a solid and careful plan to revitalize rural America, a bipartisan plan and one that does not set one part of the Nation against another. These are the reasons I've gone to all the hearings we've had around the country. I want to establish that we are not going to set one section of the country against another in trying to revitalize rural America. We took a small step in that direction by introducing the Rural Area Revitalization Act which will expand upon the rural development loan funds established by the 1985 farm bill. It will help to provide resources to communities involved in economic development efforts like the ones we saw this morning.

Lastly, we can't have a healthy rural economy without a healthy agricultural economy and that's why hearing from the commodity representatives on our third panel is so important. We want to be able to tell the other Senators on the committee as we have our hearings on commodities in Washington what we have heard from people most directly involved in those commodity programs. So we have just a little bit to understand.

In the regular meeting of the Senate Agriculture Committee, I will be relying on Senator Fowler to give direction in the hearing. He was the one who recommeded the broad cross section of people who will testify. These little lights will go on; the green light will be on when someone's testifying and then after about 4 or 5 minutes the red light will go on and we will have to stop there. Any prepared statements, of course, will be made a part of the record.

Senator FOWLER. It works for everybody but Senators, right?

The CHAIRMAN. Works for everybody but Senators and the Chairman has already used up every bit of his time so I'll hush and yield to Senator Fowler.

STATEMENT OF HON. WYCHE FOWLER, JR., A U.S. SENATOR FROM GEORGIA

Senator FOWLER. Senator Leahy, welcome to Georgia. Ladies and Gentlemen. I think, Pat, if you look and see this jammed room with every seat taken you'll see the interest in you, interest in our committee, interest in having us here to listen and learn what Federal policies have worked and what Federal policies have not worked. I thank you, not only for—so many of you, for enabling me to be here as your U.S. Senator in Washington and for that, my deepest appreciation and also, for turning out in such numbers to enable this Yankee chairman to hear about what we can do and what are some of the impediments to us producing as we can do as south and middle Georgia and one of the strongest agriculture sections in the country.

I am ready to get to our panels, Mr. Chairman. I do want to say to you, though, it's just a follow up on what you've said, also, as a member of the Budget Committee when we saw the budget sent over by the administration last week which was the largest proportion of cuts in our smaller communities and our rural areas, over 50 percent cut in rural housing programs, over 50 percent cut in rural health programs, a very large percentage in rural electrification, plus a recommendation that would kill vocational education.

All programs that have been developed with majority support in both parties over the last 20 or 30 years, I think as you will hear from our, not only from the agriculture section of commodities, but we have simply got to do—we cannot continue to turn the other cheek and think that we are going to have the kind of investments that will bring back our smaller towns and diversify our economy; we cannot accept that kind of nonsolution to the problems of our smaller communities in this State, your State and throughout the country.

Reminds me of that fellow—you may have heard the story of the 92 year old man who's wife has passed on a few years ago and had these grown children, and he came in and shocked the children to death when he announced he was about to marry this 21 year old girl. They tried to talk him out of it. Of course, they couldn't do it. Finally, the children went out and bribed the family doctor to see if he could give the old man a physical or something and scare him to death. The doctor examined him and took a look at them and said, "Judd, I can't tell you what to do. I know you're going to do whatever you're going to do but I just want to tell you if you go through with this, I just ain't sure that your marriage will survive the honeymoon," to which the old man looked at the doctor and said, "Well, Doc. if she dies, she dies." We are not going to accept that kind of philosophy out of this administration in this State.

This Chairman, Pat Leahy, as you can imagine had 50 invitations from the 50 States to come and let us talk to him as Chairman of the committee. We welcome you here, Senator Leahy. We welcome you here as the new chairman of the Senate Agriculture Committee and we are delighted with the turnout. We are here to listen and learn something and we will stop talking, which is very unusual for Senators, and go to our panels.

The CHAIRMAN. The first witness will be Harriet Macklin from the Rural Housing Coalition. Mrs. Macklin.

STATEMENT OF HARRIET MACKLIN, LEGISLATIVE CHAIR, GEORGIA HOUSING COALITION, INC., ATLANTA, GA

Mrs. MACKLIN. Thank you, and good morning. Before I get into my statement I would like to reintroduce myself to Senator Leahy. When you first came to Washington I was an intern for Senator Talmadge so that's what we go back to.

Good morning to everyone. I'm the legislative chair of the Georgia Housing Coalition and we would like to bring you greetings from the board of directors, and we also appreciate you, Senator Fowler and Senator Leahy, for inviting us to give testimony today and, in addition, we would like to commend your initiation of scheduling the hearing in Georgia.

Georgia Housing Coalition is a statewide nonprofit organization committed to increasing housing opportunities for low- and moderate-income Georgians particularly among the rural population such as small family farmers and homeowners in rural communities. We have been around for the last 8 years and been very effective and active. The board of directors of the Housing Coalition has attempted to improve the living conditions of the State's lower income housing—lower income citizen, I'm sorry. Membership in the coalition is open to all and to all who would like to support that goal.

This year, the Georgia Housing Coalition has attempted to encourage the State General Assembly to study the housing conditions in Georgia and, therefore, have recommended that a housing commission be established in order to coordinate housing data and to plan more effectively for Georgia's future housing growth. The reason why is because we are studying the 1980 census and seeing what's happening to the State as well as other Southern States of population growth.

As you know, Senator Fowler and Senator Leahy, you may know that Georgia is the largest State, geographically, east of the Mississippi. In addition, we have 159 counties of which 125 counties are not in metropolitan statistical areas, so they are what we call a typical rural county. Georgia also has the distinction of having the fastest growing county in the Nation which is Gwinnett which used to be a sleepy little town several years.

According to the census that we looked at of 1980, Georgia has eight counties with at least one-third of the households below poverty level. They are Clay County, Dooly, Hancock, Jenkins, Quitman, Randolph, Screven, and Stewart. The South contains more than half of the Nation's poverty and substandard housing and more than two-thirds of the population are affected by both conditions. Unfortunately, Georgia has its fair share.

Just to give you some background on where we are coming from or for those of you who do not know some of the statistics which really impacts on the housing situation, the housing situation in Georgia and probably some other States. According to the Census Bureau and also some data from the Social Security, we found that Georgia ranked eighth out of 50 States in rural population; it ranked fifth in rural poverty; it ranked fourth with the working poor; eighth in the AFDC payments received for a family of four and that amount is $216. It ranked second in female headed families; it ranked fourth in families on public assistance and sixth in the poor elderly persons. So you can see that we can use and we can facilitate all the resources that you can bring to Georgia. And looking at the national budget I'm hoping that there won't be any further cuts because it really does impact on our State as well as others, I'm sure.

My professional experience in Georgia extends over 15 years and I won't go into details because I know we only have a little bit of time, but the type of experience obtained while I've been in the Southeast has been with housing, with housing with the NAACP serving the Southeastern States as program director, section 8 Existing and Moderate Rehab Housing with Georgia Residential Financing Authority for over 6 years, having my own private consulting company in housing consulting, therefore providing assistance, technical assistance, to community groups and nonprofit development housing as well as new housing development specialist for the Housing Assistance Council which is a national organization providing technical assistance and seed money for housing development in rural communities.

Nationally, there has been an increase of more than 25 percent of rural occupied housing. The number of occupied rural units which were substandard declined by 48 percent. Statistics have shown that we are correcting the problem but we still need help. It will not begin to climb if it begins to get cut any more. The rural poor are much more likely than the urban poor to fall in this shelter poor category, lack of housing, the lack of affordable housing. There are a lot of people out there who are the poor—"working poor," who can't afford decent, sanitary housing. I'm talking about housing that has complete kitchens, that has complete kitchens with plumbing facilities.

Also, the new term that we are hearing, "homeless", that's usually related to or referred to the urban area. The homeless have been out in the rural areas also, that's what we have known as overcrowded. When someone was without a home they moved in with friends or relatives so we had the overcrowding situation but they are still homeless.

In Georgia specifically, there is housing provided. We have got HUD, U.S. Department of HUD, Housing Development Authority and Farmers Home Administration will—those are the Federal agencies that provide the housing in Georgia. Specifically, elderly housing as well as interest credit, low interest rate housing development for rural communities. My time is up, it looks like, and I can't continue, I've got a written statement——

The CHAIRMAN. The whole statement will be made a permanent part of the record.[1]

Mrs. MACKLIN. But in my closing I want to say something directly to problems that we have in Georgia and I know we have some representatives from Farmers Home. We have a problem with affordable housing, discrimination, discrimination directed to sex, female heads of households, as well as race and we need to look at it and hopefully in your deliberation with the budgets you won't throw the baby out with the wash as far as Farmers Home is concerned. We don't have anything to replace with Farmers Home—the services that they have—so we need to look carefully at what we have before we throw it out. Thank you very much.

The CHAIRMAN. Thank you very much, Mrs. Macklin. Being from Vermont, I really feel that I have two agriculture commissioners to respond to: One, of course, is the one in Vermont, Ron Allbee, a good friend of mine and the other, of course, is Tommy Irvin.

Now, of course, there are two reasons for this: One is that Commissioner Irvin is the only agriculture commissioner in the country that I've found who knows how to comb his hair in the proper fashion. I had to put up with all these guys on the committee who have more hair than they should have. The other reason, of course, is one of respect. Commissioner Irvin is, if not the senior, one of the senior agriculture commissioners in the country. He's very well respected in Washington. He is called upon to come there and speak on panels, and to give of his own experience. It was nice that he came down with my wife and me last night and then joined us over at the Normans this morning for breakfast. I will yield now to Commissioner Irvin.

STATEMENT OF TOMMY IRVIN, GEORGIA COMMISSIONER OF AGRICULTURE

Commissioner IRVIN. Thank you very much, Mr. Leahy, and let me also thank Senator Fowler for his efforts in gaining your attention to the problems that confront Southern agriculture and making an effort to come here to Georgia to be here with us. I also want to thank you for—I guess it's now almost 3 weeks ago when you addressed the National Association of State Departments of Agriculture, of which I'm fortunate to be national president of, this year in Washington. I believe tomorrow night will be 3 weeks ago, and we had a chance at that time to talk a little bit about your hopefully future visit to Georgia.

We hope to be able to demonstrate to you today here in Georgia the assets that we have in being in diversified agriculture. I know that in the previous hearings you've held in the so-called farm belt States, you've heard reply to what we call the major bulk crops, and we have got to probably yield to that region of the country that would apply to corn farming and soybean farming, and we have a speaker here today that will address that issue and wheat farming. But we think you're going to get, hopefully, some update from the group that's going to be on the panel later this morning.

---

[1] See p. 341 for the prepared statement of Mrs. Macklin.

The fact is that we think the farm bill, as it is currently structured, has done a lot for our agriculture community here in Georgia. The peanut section of the farm bill will be addressed and I think it's obvious proof that it's worked extremely well; that it's cost effective to the Federal Treasury and we know all of our Members of the U.S. Senate and the House of Representatives are conscious of cost.

We think we have got the worst behind us in the tobacco section of the farm bill, and that will be addressed today here further. We are pleased with it and we want to see it tried and we are thoroughly convinced it will be cost effective.

There also will be some speakers here today to address cotton. That's another section of the farm bill that, as structured now, I think will see a reemergence here in Georgia and we foresee a lot of additional cotton being planted here and to compete with the diminishing energy, petroleum, and we all like the natural feel of cotton.

I live in the northern part of the State and we are one of the strongest and most vital parts of agriculture today that does have some impact on the bulk commodities and that's the broiler industry. I would like to say to you, Senator, that industry has never been stronger. We use a lot of corn, we use a lot of soybean meal, we have even used a little wheat and other feed grains to support that industry, and it's doing extremely well and it's expanding, I might say. The egg industry has had a good run, too, and that kind of trails the success of the broilers.

Our livestock industry, and we have a member of the panel that later today that is probably going to go in more detail there, but the livestock industry looks the best it has in probably more than 10 years and it's kind of an upbeat. There's going to be some things, I think, that's going to come out of the panel this morning that will tell you that diversified agriculture is good for Georgia, is good for America, good for our overall economic conditions.

Some of the other issues that will probably be addressed and I might say, if I might take the liberty of urging you to go back to Washington and vote to override the President's veto on that transportation bill. I think you're going to find transportation is going to be a very, very viable part of the success of agriculture throughout America. I don't think it's a Georgia issue any more than its an issue in any other rural community in this great Nation of ours.

Most of our commodities were moved, at least at one time, by motor carriers and we have got many areas in this State that with the new innovative transportation, the wide bodied semitrailers, the extra length, that it's not permissible to enter into many of our rural communities without four lane highways, and we think this is a vital part of our economical development and we think Congress would be wise to override the President's veto.

Since we are not asking the budget as he's alleged, we are asking him to return money that's already been taxed and taken from us, to give it back to us for the purpose for which it was taken. I think that's an issue that the American people need to be made aware of; the fact that you've already collected that tax from us, the motor vehicle use tax, and we think it ought to be returned to us. It would not only help the construction industry and the several thousand jobs that would be involved here in Georgia alone, but also would make it possible for us to keep our transportation moving forward and help us in many rural areas to attract diversification as far as jobs.

This is a great State in which we think we have a tremendous opportunity to attract agriculture related processing facilities into many rural communities of our State, and we just can't do that without adequate transportation. When you deregulated transportation, both motor carrier and rail, it is very obvious that rail abandonment is going to be a problem in many areas of rural America; it's a problem here in Georgia in some areas. I'm not sure that we can address that issue without beefing up and strengthening our motor carrier transportation. So I'll say in that issue it's certainly one of the things we certainly need to put on the front burner. I, too, want to welcome you here.

The CHAIRMAN. Thank you.

Senator FOWLER. Let me, Mr. Chairman, if I may, just thank Commissioner Irvin for his complete statement but although, this is not the center piece, what he said is absolutely true.

Next week we will try to override the President's veto of the highway bill; that's over $400 million for Georgia. It has nothing to do with the budget of the United States of America; every single dime has already been collected, your gas tax dollars sitting in Washington. The only issue is whether or not we are going to distribute them back home to the people who paid those taxes. It's over $400 million, not only on interstate roads, but also on rural roads throughout, all construction projects tied up in that legislature. It is unfortunate the President chose to veto it. He did not veto it for the reasons that he publicly said, and I hope the U.S. Congress is going to override that veto in the public interests of the infrastucture of our State and our country. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Commissioner. I think the vote count is awfully tight but I think there's a good possibility that money might be coming back home.

Our next witness is Herman Lodge who is the Burke County Commissioner. Commissioner Lodge. Pass the microphone on down. Incidentally, I remind all witnesses that post statements will be made prior to the official transcript of the Senate hearing and I encourage anybody that wants to summarize their statements to do so. As I usually say, hit us with that one point you want us to remember when we go back to Washington.

STATEMENT OF HERMAN LODGE, COMMISSIONER, BURKE COUNTY, GA

Commissioner LODGE. I'm a commissioner from Burke County, Georgia. Burke is located in the eastern portion of Georgia and has a population of about 20,000. It's strictly agriculture, mainly it was. Most of the farmers have lost their land and now, I guess, there's probably about 80 farmers left, isn't that right, Bob? It's sort of a sad state of affairs, I guess some of them will be testifying this afternoon to the Senate about the conditions as we find ourselves in.

The population of Burke is—about 25 percent of the population is over 50 years of age and about a third of the population is under 18 so Burke is actually an old and a young county population wide, so, therefore, there is a drastic need for housing for the elderly and especially the rental units.

There probably exists special rent—Farmers Home housing—as you know the person who makes, a couple who makes $12,000, what is it, $12,600 a year can purchase a $38,000 home. That to me—without financial counseling, that puts that person in a real financial situation whereas if nobody tells that person, all they do is take this person's application, probably put it in a computer and tell them they are eligible for this loan, and it comes back, they are eligible and have no financial counseling. They don't tell this person that they owe tax on this house, they are going to have to buy insurance, they are going to have to pay the light bill, and they are going to have to pay what have you.

All of a sudden you end up—I think now we have got about 16 houses somebody is going to foreclose on, low-income folk. And that, to me, is not fair not to have counseling for low-income people whereby they teach them about counseling and how to better utilize that money they have. Because it's a strain on most of us who know how to handle money and people who are not used to handling—when you're talking about $38,000, it's just a difficult task.

Some of the problems we have encountered in home building is building sites. Building sites in most small towns in rural areas usually the town is locked in by people, I don't know—by several landowners and they refuse to sell land so it's difficult.

You have income limitations with Farmers Home Administration; people with moderate and upper moderate incomes can't borrow from Farmers Home. Most people are poor credit risks and they just don't seem to be able to borrow. The household income is not reported on some applications; false statements are made on some applications which there's not much you can do about that.

But there are some, like mobile homes where you can—FmHA will finance mobile homes but they won't finance the furniture that goes—you know, furniture in mobile homes and I don't see the reason why they won't. Thank you for permitting me to talk, thank you very much.

The CHAIRMAN. Thank you very much, Mr. Lodge, and thank you for coming to this hearing.

Our next witness is Max Herndon, State director, Farmers Home Administration. Why don't you bring that microphone on over there. Can everybody hear? I tell you, the Rural Development Center has a superb spot here. I wish we had something like this back home.

STATEMENT OF MAX HERNDON, STATE DIRECTOR, FARMERS HOME ADMINISTRATION

Mr. **HERNDON**. Thank you, Mr. Chairman. I'm sure that the folks in my home county of Colquitt took very good care of you folks last night.

The **CHAIRMAN**. They did, indeed.

Mr. **HERNDON**. I appreciate the opportunity to be with you today to discuss the role of Farmers Home Administration and the role it has played in agriculture and the general progress of our State.

Agriculture, as you know, is a chief component of our economy and the Farmers Home Administration has an important role in that component. As of the end of the last fiscal year, September 30, 1986, Farmers Home had a total outstanding loan portfolio of just over $2 billion in Georgia, almost $1.1 billion, excuse me, was in farm loan; rural housing loan was just under $900 million and another $200 million was in the community projects such as water, sewer system, and fire stations.

Nationally, Farmers Home provides about 13 percent of the Nation's outstanding agriculture credit. In Georgia, according to the best estimates available, this figure is closer to 40 to 50 percent. The last fiscal year we provided more than 2,000 loans and grants to Georgia for $134 million; by program that was 1,150 farm loans for $77 million; approximately 900 rural housing loans for almost $42 million and 35 community service loans for $16 million.

You will recall that the administration began just a few years ago emphasizing farm loans made by commercial lenders and guaranteed by Farmers Home in place of direct government loans. The administration's position is that credit for farming is essentially a commercial operation, should be provided by the institutions better suited for it, the commercial and cooperative banks and other lending institutions. The Congress endorsed this concept with the 1985 Food Security Act by mandating a gradual transition from the direct to the guaranteed loan program over the next 3 years.

I think this concept is taking root in Georgia; for example, in fiscal year 1985 we made guaranteed loans of $2.8 million. In 1986 this went to $10.5 million and this year, this fiscal year, we are running ahead of last year's pace so we anticipate some $15 million in the guaranteed loan program in Georgia this year. We will, nevertheless, continue to provide credit for those viable farmers unable to meet the more stringent credit requirements of other lenders. We will do it with a limited amount of direct operating loan funds and with continued emphasis on the guaranteed program. This concludes my statement.

The **CHAIRMAN**. Thank you very much, Mr. Herndon. Senator Fowler?

Senator **FOWLER**. Mr. Chairman, maybe just one or two quick questions. Mr. Herndon, as you were giving your presentation, I was looking at the chart, the FmHA Housing and Community Development Programs in Georgia over the last 6 or 7 fiscal years. As you and the other witnesses have testified, the Federal spending for rural housing both the subsidized units, the rental units, certainly has declined nationally in the last 6 years but it's fallen especially steeply in Georgia, from $144 million in 1982 to $42 million in 1986, and what I don't understand is that the $42 million that you spent in 1986 was only a fraction of the full allocation for Georgia of $70 million. With all the need that we have got for rural housing here in Georgia that the other two witnesses just attested to, why has Farmers Home spent less than their allocation?

Mr. HERNDON. Senator, I think there's adequate reasons and they have been alluded to; currently the eligibility guidelines are entirely too low for the income; 40 percent of the funds allocated to Georgia must be used on very low incomes and there, as you know, the working people now there's normally both husband and wife earning incomes for that particular family and I have with me today the high and low incomes, very low, low and moderate income that we work on in Georgia and I feel that these figures are just too low. We have to work out the budget in order to show that the borrowers can make their house payments.

Senator FOWLER. Mrs. Macklin, did you want to comment on that?

Mrs. MACKLIN. Yes, I don't want a misconception of that 40 percent rule to be exploited any longer. In Georgia, for example, the 502 single families amount of money is split into two categories to reach two diverse groups. The very low income that Mr. Herndon is talking about, that category at the end of September 1986 was not expended but neither was the normal 502 loan program. Only 2 to 5 percent of that money was spent out of the $13,423,000, that was what was spent in September of 1986 but you were allocated more than $24 million, what happened?

Mr. HERNDON. I don't know. I've been told this income part is a big factor in FmHA making the loans. Just for an example, we can look at—I'm looking at the chart, Atkinson County, with three members, $7,750 is the very low income. You can go up to Baldwin County, that goes to $11,600 so that's a $4,000 difference. But as you can see on $7,750 it's hard to work out a budget, even a subsidized budget that these folks can make the payments on the houses with other payments that——

The CHAIRMAN. Mrs. Macklin, is it your experience that Farmers Home has been showing a commitment to targeting the use of 40 percent of their housing funds for low-income housing?

Mrs. MACKLIN. As of last year our experience shows there has been a change. I'll have to give Mr. Herndon credit for that; there has been an increase in the effort and commitment. But still we are sending money back to Washington and that's our concern. There's an allocation of funds for rural housing coming to Georgia. For the year of 1986—fiscal year of 1985, I'm sorry, only 61 percent of those funds were spent.

Under those regulations we have community groups, nonprofit, coming to our organization and asking why isn't the Farmers Home abiding by the rules and regulations so that they can get those funds out, that's our concern. We are not even talking about changing the rules, just play by the rules that we have now. Our concern is that we are getting money here but we are sending it back to Washington to be reallocated to other States and we need it here.

Mr. HERNDON. Well, we are working toward those goals.

Senator **Fowler**. Well, I'm glad to hear you say that, Mr. Herndon, and also glad that Mrs. Macklin gave you credit for making this a priority. The Lord knows it's hard enough under Gramm-Rudman and all these cuts to get any money. And when we have documented the need in Georgia in our rural communities both for ownership and rental units and have an allocation that is not used when the need is so great, we have got to find a better way. Mr. Herndon, we look to your leadership to make Washington know if the regulations aren't written right to fit the people who need it in Georgia. That, I hope, will be a priority of your public service.

Mr. **Herndon**. Sure.

The **Chairman**. Understand that our committee will not hesitate to talk to Farmers Home Administration in Washington if we think the regulations aren't working right. They recently submitted a very substantial change in regulations and brought a fire storm of protests from our committee. We've asked them to go back to the drawing board—we don't hesitate to do that.

I'm concerned when I see that rural housing money during the past 6 years nationwide, not just for Georgia but nationwide, has decreased dramatically and yet the housing needs of rural America have gone up. If this is because of a total lack of money overall, that's one thing. If it's a question of the monies being there but the regulations making it impossible to spend it, believe me, one thing Vermonters know is how to cut red tape and how to cut bureaucracy. We don't believe very much in it back where I come from and I know that Wyche shares that kind of feeling and we will seek to cut through that red tape.

Senator **Fowler**. Amen.

The **Chairman**. Anything else? Well, I thank you all very much. Mrs. Macklin, it's good to see you again. Commissioner Lodge, thank you for being here. Mr. Herndon and, of course, commissioner, it's always good to be with you.

[Recess.]

The **Chairman**. Wyche, I'll just turn this over to you to introduce the various members of the panel.

Senator **Fowler**. I'll be glad to, Mr. Chairman. For everyone in the audience here today, we have two more panels, this one we have entitled under the name of "Rural Life" to discuss various problems and opportunities in our rural areas and then after this we will have a panel on commodities where all the major commodity representatives will have an opportunity to testify.

First, Mr. Chairman, is Welch Long who is a farmer from Elberton, Georgia, in Elbert County, where I've got some kinfolks and he's going to discuss some of the problems unique to black family farmers in rural Georgia. We welcome you, Mr. Long.

STATEMENT OF WELCHEL LONG, ELBERTON, GA

Mr. **Long**. Thank you. First, I want to express my appreciation for the opportunity to say something that I've been trying to say for 30 years. I've offered to testify but this is the first time that I've got the opportunity to do so.

My statement will come from some experience that I've had. Originally I was a teacher of agriculture in Elbert County, Georgia, a place that we call the tombstone territory, where you get granite from. I went there in 1952, in January, to teach agriculture. Elbert County is a rural county, semirural county, mixed with the granite industry.

We comprise about 18,000 people of which about 40 percent of them are black. But when I went to Elbert County we had 1,200 farm family units, total farm family units in the county; there were 324 black farm family units in the county. Today there are two black farmers and they are up for foreclosure.

Our experience was, number one, when I started with the county I was teaching five adult farm family classes over the county along with my vocational agriculture program in the high school. We invited our local supervisor, T.K. Wilson, to the county meeting and he had—at the State meeting we had listened to a representative telling all about the service that they provided but in doing—we had our local supervisor to come and give us some further information on it. We had a lot of white owners go out of farming. Some of the larger farmers, they were offering to sell their farms and we had a lot of sharecroppers. But it took us from 1952 to 1972 to get the first black farm family a farm ownership loan. They would always have the complaint that the farmer didn't fit the farm or the farmer didn't qualify; you had too much land or the man had too large a family. We had all kinds of run around.

Finally, I called Washington, D.C., in frustration and I talked to Mr. Tippins, director of the civil rights division of the Farmers Home Administration and he said, "Mr. Long, you're fixing to lose your job." I told him that I learned to plow before I learned to teach and if you've got anybody there to send them. And he said that within 10 days you'll find a man and he'll come and look into your complaints.

And, sure enough, the man came, Mr. Moss, from, I believe, Greensboro, North Carolina, he spent 2 weeks investigating the local office. When he left, he had three long legal sheets about this long typed, single spaced and he asked me to initial them. I initialed the sheets and he said within 2 weeks you'll be hearing from me, he visited all the farmers that were having problems. He said, "I didn't find all you said was wrong but I found enough to send the man to Sing-Sing." And until this day we have never got a report from Washington. The man, Mr. Wilson, was retired or moved.

We talked to George Neal, I believe, assistant to the President, and tried to talk to the President and he was in a conference but we got his assistant and he said, "We can't talk about it." From then on until 1972, while the man was here investigating they finally got a farm ownership loan——

Senator **Fowler**. How many years was that?

Mr. **Long**. That was from 1952 to 1972, 20 years. All right, since 1972, after that, I had asked for a farm ownership loan myself, I got into some trouble myself trying to help some of the farmers, I got in debt myself so I asked them for a loan and they said, "No, you don't qualify, you make too much money." At the time I was making less than $6,000 a year.

So they went back and I said, "I want to find out why," so I started writing and calling everybody I knew and I went to Senator

Talmadge's office and he got in touch with FmHA's office. They first said you can't see him, he's out of town, Mr. McDuffie was there then—my time's up——

The CHAIRMAN. That's okay, go ahead and finish your point.

Mr. LONG. He said Mr. McDuffie, he can't see you, he's out of town so Mr. Curtis Atkinson, some of you know him, he's working with somebody now——

Senator FOWLER. Assistant Secretary of State.

Mr. LONG. Yeah, he's still up there. He got on the phone and he called Mr. McDuffie and he said, "We have got some voters," said it like that, said, "we have got some voters, citizens that want to see you," and he said, "come on over." In 2 hours we were in Peachtree National Bank—I believe First National Bank on North Peachtree, upstairs and we went in.

The man was there that was said to be out of town and we saw him. Mr. McDuffie saw me come across the room and he threw my folder across there, says, "It doesn't take but two people to deny you a loan," and he had the two people there. At that time we had one black on the committee, county committee, his name wasn't on there because he had already told me your loan never came up at the meeting. Well, they said, "Well, we tried to call him but he wasn't there that day and we didn't get him so the other two people acted on the committee."

I kept insisting on the loan, what would it take for me to qualify and they said, "Well, if you'll resign your job we might consider" and I said, "Well, if you'll guarantee you'll let me have the loan I'll quit today." He said, "Well, I can't do that."

About that time, they had another man in the office there, and his name was Lassiter, the man with the short leg, he was crippled, you know. He jumped up and ran across the room and said, "Nigger, nigger, nigger nigger, I'm tired of pushing niggers. I've pushed niggers in Waynesboro and several other places—" I assume he worked across the State, but anyway, I didn't get the loan.

Eight years later, 1978, I had—whatever they were going to do had been done and I was further in debt than I had ever been then but I was still working. I decided to retire so they came out of the blue sky, they got a new supervisor, a local supervisor and he came to my house and asked me if I would serve on the county FmHA committee. He didn't know all this had happened, on the country committee and I said, "No, you don't want me."

Well, he came back the second time and he said, "Well, everybody mentioned your name, will you serve?" and I said, "Yeah, I'll serve but I still say you don't want me." So, I was sworn in and when I was sworn in the district supervisor was there, you know we have to take an oath or something to serve on the committee——

Senator FOWLER. This story is going to have a happy ending, I hope?

Mr. LONG. Well, no——

The CHAIRMAN. It will, however, have an ending? The only reason I ask is that we guaranteed the majority leader we would be back to vote this afternoon in Washington.

Mr. LONG. Give me 4 or 5 more minutes and I'll end it. But about 2 years ago I was introduced to the Southern Cooperative directors. They were getting some financing, a co-op down in Royston, Georgia, among the farmers and so I met Ralph Paige and he told me, "Don't give up, hang on." So, that's why I'm still hanging on.

But the first year I got that loan, they finally decided to give me a loan but they told me, "If you were to buy the land we will loan you some operating money," that was out of the clear blue sky, that's what they said, "we will loan you some operating money." I said, "Well, you loan me enough money to operate and I can pay the loan back." They said, "Oh, yeah—" I told them it was too high, what they had and they said, "Well, you can lease some land, whatever you do, you can come out with this thing with more money," and I agreed.

We went ahead and made an application for an emergency operating loan plus the farm ownership loan. When it got close to settling the loan that day, I didn't find the supervisor, he didn't come. He didn't show up, but at the lawyer's office the man that was selling the land was there and the lawyer and when the money ended up enough to buy the land, this is all I got, enough to buy the land.

I had 200 acres of soybeans planned for that year and 50 acres of wheat and I got $84 to operate. Operating money went in the farm and $84 to operate on. According to the Extension estimate of the University of Georgia that year it took $105 to put in an acre of soybeans. I had to borrow $800 from the man that was selling the land to pay the lawyer. So I'm setting up here with 162 acres of land with $84 to work it.

They told me, "You come back, we will get the money to operate, we will get it." I went to the office the next morning and said, "I'm getting out of this thing." I went back and they said, "No, he isn't there," and I could't find him for 2 weeks and I went all the way to the U.S. Senate, the President, the Chairman of the Budget Committee, William Gray, I got a letter from him the other day, but they said it's a sad situation.

The only help we have received is from Southern Cooperative they gave us seed wheat the other day. Not only me, but all the farmers have gone out of business and simply because they couldn't get any money. A bank will not bother with you if you're tied up with Farmers Home Administration, no guaranteed loan doesn't mean nothing unless you've got something to put up for collateral, I tried that.

The CHAIRMAN. Thank you very much, Mr. Long.

Mr. LONG. I appreciate it.

Senator FOWLER. Mr. Long, thank you. I think the story itself speaks for the difficulty of many that have gone before.

Our next witness is Dr. James Hotz.

Dr. Hotz is the medical director of the Albany Area Primary Health Care Office and he's also the director of the Baker County Primary Health Care Center, and we have invited Dr. Hotz to discuss some of the health problems of rural Georgia especially those that have been aggravated by the farm crisis. Dr. Hotz, your statement will be made a part of the record in its entirety and any summary you can give us will be very helpful.

STATEMENT OF DR. JAMES HOTZ, MEDICAL DIRECTOR, ALBANY AREA PRIMARY HEALTH CARE OFFICE

Dr. HOTZ. Honorable Senators, I'm intimidated by this task before me this morning to explain the medical needs of my patients in the farm communities, farm families of Baker County whose needs are enormous and complex and unfortunately must be remedied immediately.[1]

I would like to start by highlighting my prospective. A crisis led to the formation of Albany Primary Health Care 10 years ago when there were no physicians in Baker County, Lee County or in East Albany. Community leaders from the three sites united to form a three-county health network under combined urban and rural health initiative through the assistance of the Albany State College whose representatives helped throughout the initial planning.

At this same time I was finishing my residency at Emory University and wanted to work 2 or 3 years in an underserved rural area, and I volunteered to join the National Health Service Corps and agreed to an assignment to the Albany Area Primary Health Care as the medical director.

This was an eye-opening experience being a Yankee boy from Ohio, but after the culture shocks had wore off I fell in love with the people. They are honest, hardworking, the building blocks of our country. We established a program based on accessible, quality, primary health care services and were guided by a community board. Those are local people tailoring our programs to meet their medical needs.

We saw our first patients in February of 1979 and now have opened three offices in Leesburg, east Albany, and Newton. There had not been a physician in Leesburg for 30 years, in Newton for 40 years and never one in east Albany. Currently we have the equivalent of 10 physicians who administer to patients in these areas and see over 60,000 visits a year and have over 12,000 active patients.

What are the medical needs of today's rural families? After caring for patients in the inner City of Albany and rural patients in Baker County what impressed me most was how much the health status had deteriorated in the rural areas as opposed to the urban area over these past 9 years.

As the delicate fabric of the rural society unravels with each farm foreclosure, there is a concomitant elevation in stress, apathy and despair. Unlike Albany where there are 120 social agencies comprising the—safety net to catch the Firestone workers who lost their jobs recently, there are only a handful of social agencies in Baker County. Albany has Alcoholics Anonymous through Salvation Army. In Baker County, we have the Health Department, Department of Family and Children Services and the Community Health Center and the churches. We do not even have an ambulance service in Baker County.

The Firestone worker loses his job; the plant is closed by somebody in Akron but the worker rarely feels as if he has personally failed. But the farmer who loses his farm loses his job and his life. He feels he has failed not only himself but his ancestors who gave him the land and his children will never inherit this land. Despair and apathy set in. The rest of the community becomes more anxious and stressed; they become preoccupied with their farming and not with their family and their health. Examples of this are numerous but I can give you five of them:

---

[1] See p. 345 for the prepared statement of Dr. Hotz.

A 62 year old, black male who lost his farm that had been in the family for 35 years. He started drinking heavily for the first time; he fell in a drunken stupor, had a blood clot to his brain and had to require emergency surgery.

A 57 year old white male. He's diabetic, hypertensive, has an elevated cholesterol; he's over $250,000 in debt and experiences wide swings in the control of his diseases. He says, "Why should I control them, I don't want to live any longer." Asked why he doesn't file bankruptcy and begin a new career he says, "I'm like an alcoholic, my farm is my bottle. I know I'm not going to succeed but I'm hooked. Each time I wake up in the morning I feel I may have a chance but I know realistically I don't."

A 42 year old farmer has headaches, can't sleep and is dizzy; his wife has stomach pains, the children are having behavioral problems. Their farm was foreclosed and they have no money for health care.

A 68 year old hypertensive, overweight who's got bad joints; he needs to lose weight but he says that he eats when he's anxious, he's eating all the time right now.

A 3 year old who aspirated a small object into the lungs; there was no emergency service available, the family had to rush the child to the local hospital; the child did not make it.

When despair and apathy set in, this is dangerous for these people's health because what kills our people in Baker County today are diseases of lifestyle. Someone who does not care if they live, will not diet or take the pills necessary to stay healthy.

You look at what kills our people in Baker County, 44 percent die of cardiovascular disease, that's stroke and heart attack. We can prevent these things if people control cholestrol, control the blood pressure, stop smoking and reduce their stress. Twenty percent die of cancer; we know that they need regular checkups and access to health care but these people are so preoccupied with other things that they don't get the proper health care. Twenty percent die of accidents, 10 percent are auto accidents and 10 percent on the farm. They need to use their seat belts, they need to stop drinking when they drive; it's a very stressed situation. Ten percent die of chronic lung disease; cigarette smoking contributes to this. So 94 percent of all the deaths are from four primary conditions that can be prevented.

If you look at our statistics, 27 percent are below poverty; 65 percent of our people above 18 have not finished school, these are very poor people. A physician could not afford to deliver health care in this area without some type of Federal support.

There are three major programs that help farmers; one is the community health centers which we are part of, this program decreases hospitalization, improves the infant mortality rates and currently there is $64 million going to rural areas in the Southeastern United States; we must support this program.

There's a national health service program that distributes physicians to our rural areas. There have been over 3,000 physicians distributed, currently 603 are in the rural Southeast part of the United States. There was a physician glut but these physicians have not redistributed themselves. In towns of less than 10,000 the ratio is worse than it was 5 years ago.

The WIC Program is a vital program; very good people are administering this in our health department down there and we must maintain this program. So I think you can see that Federal programs can work, the needs are there, they are tremendous, we are facing the extinction of an entire way of life and they need your help.

The CHAIRMAN. Doctor, you've given in a few minutes a summary of just about all the testimony I've heard in 13 years on this committee of the related problems of rural America that are unfortunately never testified to enough. But we did hear it when we were putting together our rural health care bills back in the late 1970's.

I spent 8½ years as a prosecutor and I can also talk about the number of cases of child abuse and spouse abuse caused many times by the kind of stress that lost jobs and the lack of a future bring. So I very much appreciate your testimony. Thank you.

Senator FOWLER. Thank you, Doctor, very helpful testimony. We would like to discuss more at this stage but I think we ought to, Mr. Chairman, get all of our testimony in.

Next, we have Mrs. Gladys Davis who is a life long resident of Decatur County. She's a farming wife, has two children that farm and she is here to discuss also some of the effects of our agriculture crisis has had on her community. Mrs. Davis, we welcome you.

STATEMENT OF MRS. GLADYS DAVIS, DECATUR COUNTY, GA

Mrs. DAVIS. Thank you, Mr. Fowler. I appreciate the opportunity to come there today. Let me say, first of all, that I'm not a public speaker. When Mr. Redding called and asked me to come, he said they wanted a mature farm woman to discuss some of the problems in rural life. And I'm scared to death just to tell you the truth. But I'll do my best.

The CHAIRMAN. Mrs. Davis, do you want to hear something? You should have seen me on my first day in the U.S. Senate. I went walking in there and I looked around and I said, "My God, what am I doing here?" So go right ahead.

Mrs. DAVIS. My husband, Bobby Davis, and I have lived in Decatur Country since we married in 1951 and we have three children, Mark 33, Allen 29, they are farming on the family farm with us, and a daughter Suzanne, 23. She is still at home.

Just listening to some of the things that have been said, of course, I could repeat some of it, it would be repetitous, it's just some of the same problems that we have in our area. However, I do feel somewhat fortunate. So far in our county, I don't think we have experienced some of the things that have gone on in some of the other counties with small rural towns.

Bainbridge does have quite a bit of industry, you know, that does help fill in some areas; however, in Decatur County there's quite a few large farmers, not a lot of little farmers and I think they are just now beginning to feel the impact. We are one of the ones that have been forced into liquidation.

The story goes back about 10 years ago. We, you know, decided to extend our farming operation for our sons to go into business with us. That's what they wanted to do and at that particular time a lot of the college graduates that were getting out of college were not findings jobs to support them and a lot of farm boys began to stay home; the farming life was attractive to them and they thought it would be a good way of life, a good business to go into.

Everybody knows the story of what happened. Inflation set in and high interest rates just began to soar and people begin to just get deeper and deeper in debt. The farm prices did not meet the demands of the cost of production and so everybody just began to get deeper and deeper in debt. It has caused some extremely stressful situations in the home. I think some of the most significant changes that I've experienced and seen in the home is that most of the women are having to leave the home life and go into town to seek other means to help support the family. By getting a job in town you have insurance benefits and things that help a lot along the way, hospitalization, a lot of farm families couldn't afford it if they didn't get hospitalization through means of the wife working away from home.

Another big change that I've seen through the years is the farming techniques have changed so much and I think they have added to the stressful situation. People have enlarged and they've tried to meet the demands of the family to make a living; they have increased their acreage and it just has put a heavier debt load on everyone. Right at the present time there are farmers that are from influential families that are in trouble and I think this causes so much stress because so many of the farmers had land that was left to them by their father or their grandfather and some people say to them, "Why don't you get out, why don't you do something else?" But you just can't leave a farm that quickly. It takes time, you have to do a lot of planning and you have to think ahead, what can I do.

Young farm boys can find employment; they can change their life but some of the middle-aged men, 50 and 60 years old that have been farming all their lives, what can they do? But they are just going to have to try to reach out and try to do something, the ones that are in serious trouble before being foreclosed on and losing their farms.

I've always tried to set an example for my family; when I left and had to go into town to work, I work at a bank and I'm a receptionist and I do customer service work and I'm faced with the public every day. And so many times I've gone in and left my husband depressed at home. He had so many problems and he would ask me, "How in the world did you go and face people and do the things that you do and face the public?" I said, "The problem we got into so much of it has not been our fault and I'm going to hold my head up high, I have not done anything to be ashamed of."

I hate the situation. I regret the situation that we are in but I just want my boys and my daughter and my husband to hold their head up high and get out and face America and face the task that's ahead of us. I know it's hard; nobdoy has the answer. It's such a complex situation but we have all just got to do a lot of praying together and working together and depend upon the Lord and that's my philosophy.

The CHAIRMAN. Thank you very much, Mrs. Davis. Continue to hold your head up high. I'm proud to have had you testify before this committee. Thank you very much.

Senator FOWLER. Thank you, Mrs. Davis. Mr. Chairman, next we have Reverend Tom Mason from Claxton, Georgia. He's the pastor of the First United Methodist Church in Claxton and has been involved in operation out-reach programs on behalf of our rural communities throughout the State. We welcome you, Reverend Mason.

STATEMENT OF REV. TOM MASON, PASTOR, FIRST UNITED METHODIST CHURCH, CLAXTON, GA

Reverend MASON. Thank you, Senator Leahy and Senator Fowler.

Much of what I want to say in my 5 minutes will be repetitious so I started rewriting my 5 minute presentation when I heard the hearing had to be shortened. I further truncated it so as not to repeat what's been said by the good doctor and by my new friend to the right.

First of all, let me say what I've been doing for the past 2½ years, and that is trying to broker efforts between institutions and the community and the State agencies to try to reach with some kind of assistance for farm families who are under great stress. There's always stress in times of social, economical, cultural and political change; that is certainly true in this crisis that we are facing now. What is different about the farm rural crisis, and it stretches beyond the farm as everyone in this room knows, is calling that we are dealing here with stress and with a sense of loss that goes beyond the loss of personal self-esteem as has been experienced by the steel workers in Youngstown or the corps of USX plants which were closed last week.

What we are speaking of here is stress which results from the loss of a sacred calling. Farmers have always been different; they've always been independent, self-reliant and regardless of what the rest of the world thought or did, farmers went on and did what they could with what they had in order to feed as many people as possible.

When this system begins to break down there's, first of all, a sense of betrayal. A sense of betrayal by the Government which encouraged them to plant fence row to fence row, by lenders of all sorts for expansion without financial counseling. There's a sense of loss, a sense of lack of understanding. Why is it that people in urban areas don't understand when they drink a carton of milk or when they have vegetables that they don't understand what it took to produce that.

The stress affects families; it affects husbands and wives who begin to place blame on each other. Why are we failing? It affects the marital relationship; there is no time. Sometimes they are working two or three jobs. There are places in areas where I've been to where the husband is working two jobs, the wife two jobs and the children are working often two jobs or more. The stress begins with emotional kinds of problems and goes to mental problems and then to marital problems and finally social problems. There's anger, guilt, shame then isolation and depression.

But what does this mean? It means that when we have this kind of stress on families, this kind of lack of time for each other that we begin to see the breakdown of families; we begin to see the breakdown of communities. Just as there's an infrastructure for the highway system alluded to earlier in the hearing, there's infrastructure to our communities. This infrastructure begins to breakdown: this marriage is failed, there's children turned to alcohol and drugs because they can no longer face their friends, they can no longer afford the car they had or the clothes they had. All of these things you're familiar with.

This rippling effect as the implement dealer can no longer go to the local civic club with the same kind of respect that he had. 7,000 to 10,000 families, let me say that again, 7,000 to 10,000 families from 1985 to 1987 will lose farms. There's an economical impact which is hard to measure. From 1962 to 1964 we lost 10,000 farms in Georgia but the impact, economically of the loss of these 10,000 farms will be 12 times as great as it was 25 years ago. The family is under stress, the weakening of the social fabric in what we believe that the Government can do, in order not to be redundant, is to provide efforts that will coordinate resources and let people know what is available to them; to provide legal and financial counseling. Some farmers in trouble cannot afford $1,500 to go to lawyers. Some farmers are not close to the Federation of Southern Cooperative offices and services. We need coordinated efforts to let people know what resources are available to them; we need more community help outreach. We need to be able to say that the State is not trying to bail out every farmer that is in trouble but the State does care about the health and survival of local communities.

We're not asking for you and—I see my time is up—we are not asking for the salvation or the continuance of an idyllic and nostalgic but passing way of life; what we are asking for is a concerted effort to preserve deep values which anchor our country because it is stability which our urban and suburban areas do not have and cannot provide. Thank you, Mr. Chairman.

Senator **Fowler**. Thank you very much. Next we have Kevin McNamara who is an economist, rural economist specializing in rural matters at the University of Georgia who will discuss, I believe, the impact that education has on our rural areas, welcome, Mr. McNamara.

STATEMENT OF KEVIN McNAMARA, ECONOMIST, UNIVERSITY OF GEORGIA

Mr. **McNamara**. Thank you very much. As we are all aware, the rural economy in the South is undergoing a serious period of adjustment. The crisis in agriculture and the current industrial product cycle that's seen a migration of many low-skilled, labor-intensive manufacturing firms to cheap Third World countries are among factors that contributed to the economic uncertainty of rural communities today. Investment in education is a necessary and critical component in any strategy to stimulate future economic growth and stability in rural communities.

Historically, education has played a major contribution to the growth of the American economy through increasing the skills and abilities of the American workforce. A study by Nobel laureate T. W. Schultz reveals that investments in education accounted for more than 30 percent of the growth in real national income for the first half of this decade. The impact of education on individual income provides some insight into its value in rural development.

The differences in years of schooling account for 40 percent of the differences in income between rural and urban white males; it accounts for 60 percent of the differences between income of rural and urban black males. Increased funding for rural education clearly offers one means of reducing the disparity between urban and rural incomes.

Communities as well as individuals benefit from education. Several studies regarding factors influencing manufacturing, employment growth, and plant location decisions indicate that education is a critical determinant of business expansion and location decisions.

A plant location study in Kentucky and Tennessee, for instance, revealed that rural school funding levels influenced location decisions. The $160 annual increase in per pupil funding for education influences a community's chance of attracting an industry as much as access to an interstate highway. It's no secret that rural investment in education lags behind that of urban areas. Changes in the structure of the economy make this lagged funding a serious constraint for rural economic development as the skilled-labor needs of industry increase.

For instance, capitalization in the manufacturing sectors has increased the skilled labor needs of industry. In Georgia 90 percent of increased employment from 1980 through 1986 occurred in metropolitan areas; over 70 percent of the new and announced new manufacturing locations were in urban counties or in counties bordering the Atlanta MSA. The low skilled labor force of rural communities no longer attracts industry and jobs for rural people.

Another phenomenon of the eighties is the growth of the small firm. There have been at least 600,000 new business starts each year in the eighties; this compares with 90,000 in 1950. Half of the jobs created during the past 15 years were created by firms that are not yet 5 years old. These small firms, the new engine of growth in the American economy, require a broad mix of skilled labor and managerial personnel to succeed, skills that are often lacking in the rural economy. Consequently, rural communities are not sharing fully in the small business growth of the 1980's.

A third factor affecting the rural economy is uniquely rural; it's the increased importance of nonfarm income for farm families. In 1960, 42 percent of the farm family income came from nonfarm sources. By 1983, this figure had risen to 72 percent. As income from nonfarm sources increases the economic well-being of people involved in agriculture becomes less dependent on agriculture and more dependent on the strength of the nonagriculture sector of the economy. These and other changes affecting the rural economy make education investment a central component of local, State, and Federal rural development policy.

I suggest three basic strategies for strengthening the rural economy through investment in education. First, a greater commitment to public education is needed. This commitment will provide a strong foundation for sustained economic growth and stability in rural communities.

Second, rural communities need to intensify and expand their continuing education program; improving the basic skills of the labor force and expanding managerial skills will give the rural economies a more flexible work force and increase rural communities participation in the small business boom of the eighties and nineties.

Third, world leadership training is needed so that community leaders will have a full understanding of the implications of international markets, monetary and fiscal policy and business cycle influences on rural economies and enable them to use this knowledge to plan for a more stable future for their economies.

In conclusion, by investing in education we can build a strong base for sustained rural development in the future, securing rural life for ourselves and our children.

Senator **Fowler**. Thank you very much.

Last, but not least, is John Phillips, the chairman of the Lilliston Corporation in Albany. Lilliston is now closed; it once employed, what, almost 800 people, didn't you, Mr. Phillips?

Mr. **Phillips**. Yes, sir. Actually we sold the company assets to Allied Products Corporation who produce the equipment in their Alabama plant. A service parts and marketing facility remains in Albany.

Senator **Fowler**. Allied Products Corporation is the manufacturer of farm implements and Mr. Phillips will discuss some of the very obvious problems of what this farm crisis has done to our local communities.

STATEMENT OF JOHN PHILLIPS, CHAIRMAN, LILLISTON CORPORATION, ALBANY, GA

Mr. **Phillips**. Thank you, Senator Fowler and Mr. Chairman. We've had quite an experience over a period of many years—having celebrated our 75th anniversary at Lilliston last year and have struggled over a period of the last 6 years; very similar to the struggles that many of you've had on the farm. By the way Charlie Crowder who is our executive director of the Agri-Business Council of Georgia, told me just a few minutes ago, to be sure and say something about our depressed agri-business economy. So, Charlie, wherever you are, I'm saying it.

We have had a tough time; operating on a survival action plan. As a past chairman of the Farm and Industrial Equipment Institute working out of Chicago I have participated in a number of agri-business activities and I don't think in the three generations that my family has been participating in agriculture equipment manufacturing any generation has had the challenges that we've had. Realizing of course that time is of essence. I don't want to spend a lot to time on problems.

But, Mr. Chairman, I feel that there is at least one point that ought to be brought out in all of this without going into a lot of detail of what's happened; why the commodity prices have been low; the high costs of the dollar and not being able to compete on foreign shores. We have been just exceedingly fortunate at Lilliston because we were able to sell the organization.

It just appears to so many of us that we are failing to get over to our country's leaders the real basics in our economic system. I've drawn two charts and it won't take but a minute for you to take a look at each of them. I'll send some documentary facts to you on this. $MMW = NR + HE \times T$.

Too often we've failed to realize that America's material wealth equals natural resources, plus human energy, times tools. It's an old formula worked out by the National Economic Foundation some years ago. I talked with about 200 people within the last couple of weeks and they don't remember seeing it or hearing it.

It's great that the Dear Lord has been mentioned and recognized today for providing the natural resources, the water, the soil, the sunshine, and the seed. We get it on the farm for free, but in the process natural resources (NR) must be utilized by farmers, miners, lumbermen and steelworkers.

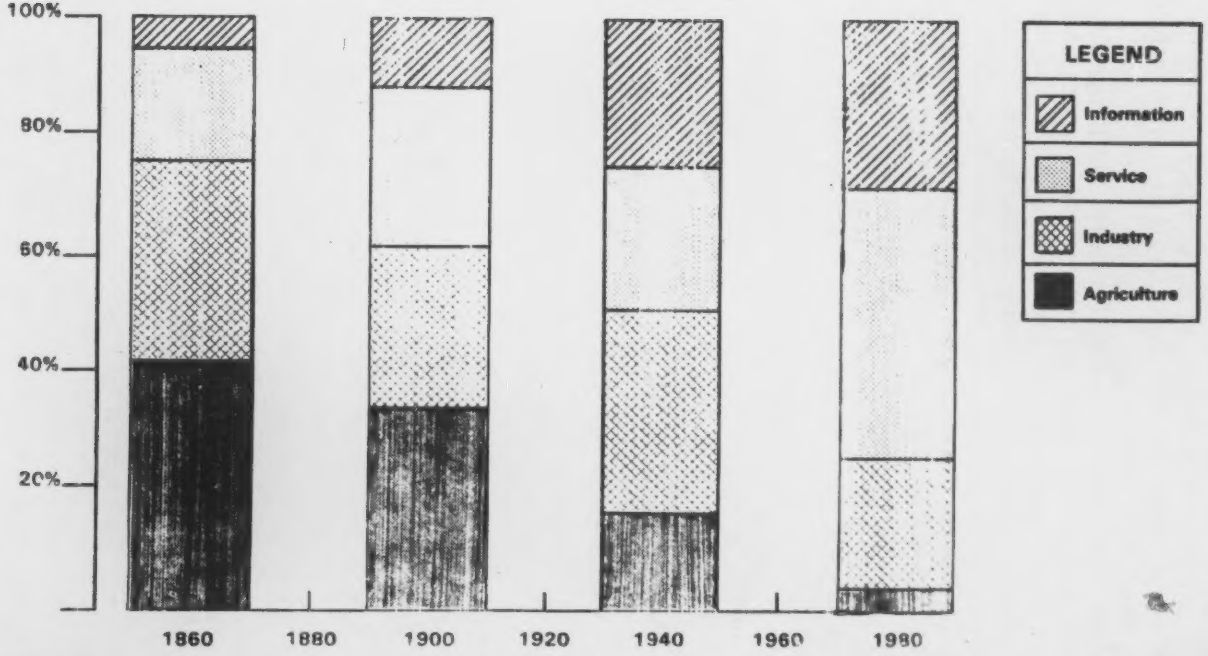
Plus human energy and, here again, America's long suit is on the free individual enterprise system and the fact that only in this country, really, when it comes right down to it, are the people free to follow through.

Today we have one farmer furnishing enough food for 120. So you see, this material wealth in combination of our natural resources plus free individuals, times tools pays dividends. Tools we have to use to make the profits and, unfortunately, for the great majority in the agribusiness losses by far outweigh profits. As applies to many industries including rubber, steel, and autos agribusiness is depressed. In fact over one-half of the folks that I knew and worked with in Chicago in the industrial and the farm equipment business are not there today. Half of the employees are not working today and half of the facilities are not in existence today. What's going to happen to the security of America? What's going to happen to the survival of our Americans, each citizen? And what about profits, our life blood of business, the generator of everything under the sun going on in our economy?

Quickly, this chart (exhibit I) gives you a pretty good picture of what's happened. If we go back to about 1860 we had over 40 percent of our labor force on farms and 35 percent in industry. At that time 75 percent were producing goods 25 percent were in service and information. Today it is just reverse, 75 percent of the workers are in service and 25 percent in industry, of which only 2 percent are on agriculture. Look at the trend—it is going to continue.

EXHIBIT I

U.S. LABOR FORCE



LILLISTON CORPORATION

Mr. **Phillips**. Genetics, biotechnology, and a combination of new more efficient machines doing precision work from land preparation on through harvest, are going to continue to bring our production and productivity up.

Manufacturing, mining, forestry, and agriculture produce the goods and originate most of the wealth. Agriculture in fact is a $150 billion producer of renewal resources every year and people, apparently, just don't really understand it. As we look to the future—fewer people will produce more goods in mining, construction, industry, and agriculture—providing food, clothes, shelter and entertainment—for more and more people in the service, information, and education segments of our country.

A recent article asked the question—"What's going to happen when we launder and wear out our shirts? Who's going to produce more shirts?"

I want to thank the panel for bringing out the Dear Lord's contributions to agriculture. It is a reminder of a definition I read in an old dictionary recently—Agriculture—a devine institution. Which is a reminder, Mr. Chairman—if we shouldn't follow more nearly the Dear Lord's 1st and 2nd law—as found in the Old and New Testament when the lawyer asked him what was the greatest law and he said "To love the Lord thy God with all thy heart and with all thy mind and all thy soul and to love thy neighbor as thyself." I'm afraid within recent years we have loved our neighbors more than we have loved ourselves and we are getting into a corner.

The **Chairman**. If we had more time, this would be a great time to go into a lengthy discussion of the trade bill that the Senate Agriculture Committee is now in the process of writing. This trade bill will tell a lot of our neighbors around the world that we love them, but not to excess. It also recalls another part of the Bible which says, "Do unto others as you would have them do unto you." We are just telling them that it's time for them to pay a little attention to that precept. We want to get our international trade, especially in agricultural matters, back to an even keel that will demonstrate the enormous potential of this country in agriculture, not only within our own borders but outside our borders.

Wyche, I've got to tell you how much I appreciate the fact you put together this panel. If we were back in Washington with the schedule we normally run, we would not have had time to hear a panel like this, we would not have had time to have this kind of testimony in the transcript of our hearings and we would have suffered because of it. I appreciate very much your putting it together. This has been a superb panel.

Senator **Fowler**. Well, I want to personally thank all the panelists. Not only Senator Leahy but all of the staffers of the Agriculture Committee. We sometimes look at this as a narrow, dimensional problem. I don't know of any more eloquent testimony to the human dimensions, the medical dimensions, the health dimensions, and the family dimensions than we have heard from this panel. I thank you very much for spending your time with us.

The **Chairman**. Thank you very much.

[Recess.]

Senator **Fowler**. Next on our panel is Wilbur Gamble, chairman of the Georgia Agricultural Commodity Commission for Peanuts, Mr. Gamble.

STATEMENT OF WILBUR T. GAMBLE, CHAIRMAN, GEORGIA AGRICULTURAL COMMODITY COMMISSION FOR PEANUTS

Mr. **Gamble**. Chairman Leahy, members of the Senate Committee on Agriculture, Nutrition, and Forestry, my name is Wilbur T. Gamble and I'm a farmer from Terrell County, Georgia, and chairman of the Georgia Agricultural Commodity Commission on Peanuts.[1] On behalf of Georgia's 9,000 peanut farmers and their families, I want to welcome the committee to the heart of peanut production in Georgia and the Nation.

Georgia leads the Nation in production of peanuts, accounting for some 45 to 50 percent of the U.S. crop in a given year. Together with our neighbors to the west and south, Alabama and Florida, the Southeastern peanut belt produces about 65 percent of the U.S. peanut crop. Most of this production is located within a 150-mile radius of this hearing.

Peanuts today are one of the rare bright spots of American agriculture. The peanut program that Congress enacted in the Food and Security Act of 1985 is working and working extremely well. It's not a program that guarantees a profit; it's a program that guarantees you the opportunity for a profit. If you make a crop and you're fortunate enough to get rain and you're fortunate enough to have good management, then you automatically will make a profit. It's not only good for the producers but it's good for small town America.

You take Camilla, Georgia; Donaldsonville, Georgia; Dawson, Georgia; Moultrie, Georgia; if it was not for peanuts there's no telling how many businesses you would have go out of business. It's not great there now but it would be much worse without the peanut program. Your banks, your small businesses, your agribusinesses is all, almost without exception, will tell you the peanut program is working. It's something that we all need, something we all want. We want to thank the Senate Agriculture Committee for giving us this peanut program. We want you to allow it to run the whole 5 years, run its course.

We have got the best product in the whole world as far as peanuts. We export more peanuts, edible peanuts, than any country in the world. This would not be possible without the peanut program that we have today. It's something we have grown in the domestic market, we have grown in the export market, it has provided education for children, it has provided cars for the family. I don't hardly know of any program we have got as far as the farm program that works any better. I know the program—there's problems out there in the other phases but as far as peanuts, we are just doing real well.

The only thing I would like to encourage you, and you touched on it briefly, when you get into trade negotiations again, don't let them trade peanuts away along with other commodities because our peanut program can't work if they want to do that. And we just urge you to continue to support us as far as peanuts and let us have a chance to work and we are very appreciative of all the things that have been done as far as the Senate Agriculture Committee and as far as the Congress of the United States. They've listened to us, we have worked with them, we will continue to work with you in the future and we just appreciate everything and we want to welcome you back to Georgia. If there's anything that we on the Peanut Commission and I, as a peanut farmer, can do for you or with you, I'll certainly be willing to do so and I thank you.

---

[1] See p. 342 for the prepared statement of Mr. Gamble.

Senator FOWLER. Thank you, Wilbur, very much. Next, we have from Douglas, Georgia, Jess Tanner who is a cattle farmer and is going to talk to us about livestock.

STATEMENT OF JESS TANNER, REGIONAL VICE PRESIDENT, GEORGIA CATTLEMEN'S ASSOCIATION

Mr. TANNER. Thank you, Senator Fowler, I'm a cattle producer with a cow-calf operation near Douglas, Georgia, and I currently serve on the executive committee of the Georgia Cattlemen's Association. We welcome this opportunity to present the beef cattle industry's views to you on legislation and issues currently being considered by the Senate Agriculture Committee.[1]

Let me begin by pointing out that as the largest segment of American agriculture, the beef cattle industry is not a Government supported enterprise. Our industry, along with the other meat, fruit, and vegetable farmers, are the only segments of American agriculture that have not come under some type of Government program during the last 50 years. As for the beef industry, we like it that way and we seek to continue to operate without price supports or production controls.

The other cattle producers and I simply ask one thing of the Senate Agriculture Committee. During your deliberations, as you consider commodity programs, remember that there are major parts of American agriculture without programs that do not want programs. Please consider the consequences of your actions in the program crops on those of us in the nonprogram segments of agriculture.

As the largest domestic user of feed grains, the livestock industry is directly affected by the feed grain policy. We strongly oppose any type of mandatory production controls, quotas or acreage limits for grains. Mandatory production control programs would force domestic users of grain to pay an inflated price for grain while the rest of the world would pay a lower price. In effect, this would export the livestock feeding industry from this country. This would result in reduced market demand for the feeder cattle that I and most other cattlemen in Georgia produce.

Another area of discussion in the feed grain policy with which we have concern is the so-called 0–92 proposal. Our concern centers around the handling of haying and grazing provisions for these acres that will be taken out of production. Many cattle producers have been forced out of business because of the economic situation in the cattle industry in the past 25 years. Those of us left represent the smallest number of cattlemen in this country since 1962. We have weathered the economic storm; we have reduced our production in response to free market pressures. We feel we are now moving into a position of better economic times in which supply and demand in our industry are better aligned. We do not need an artificial expansion of cattle numbers in this country on land on which a farmer has been paid not to produce grain. Simply stated, if you pay a farmer not to plant program crops, then please do not allow him to use that same land for beef cattle production.

---

[1] See p. 351 for the prepared statement of Mr. Tanner.

Another policy area with which we have concern, if the farm bill is reopened, is dairy policy. We urge you to stay the course with the dairy policy as it is in the current farm bill.

We of the beef cattle industry took our licks last spring because of the Dairy Termination Program and we have no desire to go through anything of that type again.

The whole herd buy-out was the classic example of why we urge you to consider the impact of Government policy in program crops on those of us in nonprogram crops. While the memories of some tend to be short, let me assure you that this program left scars on those of us in the beef cattle business that will never be forgotten.

It's not easy to accept an almost overnight drop in prices of $8 to $10 per hundredweight for your cattle just because the Federal Government announced a program in another commodity. Losses of up to $100 per head remain in the cattleman's memory and absent from his income statement forever. True, the market reaction to the buy-out may have been psychological and, true, it may have just lasted 4 or 5 weeks but those statements are of no consolation if you had to sell cattle during those weeks when the bottom fell out of the market. Many cattlemen in Georgia did have to sell during that time resulting in the large losses in income.

The dairy industry sold the Dairy Termination Program on its merits; the beef industry suffered its consequences. It's now time for all to live with the policy. We see no advantages in changing the dairy provisions of the 1985 farm bill in any manner.

We thank you, again, for the opportunity to discuss our concerns with you. We ask you to keep in mind that there are major parts of agriculture, like the beef cattle industry, that are without Government programs and do not want them. As you contemplate policy in the program commodities, please consider the impact on these nonprogram segments of agriculture.

The CHAIRMAN. Thank you, sir.

Senator FOWLER. Thank you, Jess, gentleman, thank you very much. Next, Mr. Chairman, we will discuss tobacco and the tobacco program, Frank Strickland from Lakeland, Georgia. Frank pull that microphone over.

STATEMENT OF FRANK STRICKLAND, VICE PRESIDENT, GEORGIA FARM BUREAU

Mr. STRICKLAND. Mr. Chairman and Senator Fowler, we are indeed grateful to have you in Georgia today. I guess today you are probably in the most agriculture part of this Nation, I would say today you're in the garden spot of this world.

The **Chairman.** That's what Wyche has told me.

Mr. **Strickland.** I'm a tobacco farmer in a small, rural south Georgia county, I'm also vice president of the Georgia Farm Bureau in this State and I serve on the Flue-Cured Stabilization Board that represents the growers of five States in Raleigh, North Carolina, and on the Tobacco Commodity Commission here in Tifton.

I would like to say to this crowd here this morning the reason our president of the Farm Bureau is not here this morning, his wife's father passed away yesterday and he had to leave to go to Oklahoma for that funeral approximately sometime tomorrow.

Senator, I don't have to tell you of all the guns the tobacco program has been under for the last few years in the Congress and on the State level and a lot of places on the county level. But let me remind you this morning that tobacco is an important commodity in Georgia. Tobacco is an important commodity to the ones that grow it. It has been our livelihood and we have been able to keep a tobacco program since sometime in the 1930's.

Realizing in 1982 that the Congress in this Nation passed a bill that the Tobacco Program would be at no cost to the Federal Treasury, we felt like, as you know, that we were probably underdogs in the commodity that we had grown, in the commodity that we had supported, a commodity that we had raised our family, educated our children, paid our taxes and made a living at. But anyway, when the Congress did that under the No Net Cost Program in 1982 at the time that bill passed I was in Washington in the House. That bill says that the Tobacco Program is not going to be any cost to the taxpayers of this Nation.

We had a No Net Cost Fund that was set up at that time and we have in that assessment, from 1982 through the 1985 crop, the growers in the Flue-cured Belt have contributed out of their check $370 million in cash money to that fund. On the other hand, we feel like that we have contributed something to this great Nation and to this economy because we have in 1986 contributed $9.2 billion in Federal, State, and other taxes out of the tobacco crop.

The thing that we are concerned about, the Save the Tobacco Program after the 1985 crop the Flue-Cured Stabilization Board and the Farm Bureau and the five Flue-cured States and other farmer organizations realized we had to do something. We began to work and we worked hard for 18 months trying to put this program together on a buy-out deal with the companies. We put that in place and in the 1986 crop we took less Flue-cured tobacco out of Georgia than we probably have in less than a decade because there was 1.45 percent of our tobacco in Georiga that went into Stabilization.

We feel like that we have a program that we can live with. Our farmers out of the 1986 crop carried home somewhere between 10 and 12 and 14 cents a pound more than they took home out of the 1985 crop. Let me remind you in the 1985 crop we had a 25 cents a pound assessment; they took it out of our checks at the warehouse, besides the grading service that we have to pay for, too, to keep it from being an expense to the Federal budget. Tobacco has contributed something to this State and to the economy of it.

Let us say to you today, that the thing that we face right now in the Halls of the Congress of this Nation is putting another tax on tobacco. Now, who's going to suffer? Nobody's going to suffer except the grower because if you put another tax on, the buying companies, all they do is to pull back. So let me remind both of you, and Senator Fowler this morning, I think you ought to realize that we have contributed enough to the economy of this Nation.

The only thing we ask you to do is to support our program, try to keep this excise tax off. With the farm economy like it is in this State, and not only in Georgia but throughout this Nation, we have got farmers that's fallen by the wayside that's been in farming for generation after generation and I feel like it's time for the Congress to take a stand in the halls of Washington and support the farmers and give us a chance, a chance is all we are asking for. In saying that, let me say to you we appreciate having you in Georgia today.

The **CHAIRMAN**. We appreciate being here.

Senator **FOWLER**. Thank you, Frank. Next, we have Bobby Webster to talk about cotton. Mr. Chairman, you're in the home of the State that produced Eli Whitney who invented the cotton gin where cotton was king for hundreds of years and Mr. Webster is going to tell you about the Cotton Program.

STATEMENT OF R.L. "BOBBY" WEBSTER, BURKE COUNTY, GA

Mr. **WEBSTER**. Thank you Mr. Fowler and Senator Leahy. Again, I would like to welcome you to Georgia, too, because we think we have got a great State.[1]

I am R.L. "Bobby" Webster, a cotton farmer from Burke County, Georgia. I've been farming since 1954 and derive 100 percent of my income from cotton. Senator, I want to tell you in just a minute about the cotton industry of our State. There's 2,400 growers in this State, 800 farm units, 60 gins, 18 merchant businesses, 19 cotton warehouses and three cotton oil mill processors. These people all together employ over some 30,000 employees. The cotton industry as a whole in the State of Georgia in the textile industry and other segments of it employ 165,000 people.

I want to tell you another thing, that the cotton bill under our 1985 Farm Act is working, cotton is working, cotton is coming back. It feels good to wear, it's here to stay. As Senator Fowler said, we are the State where Eli Whitney put the cotton gin together and we are coming back again. We are here to tell you, please, do not mess with our cotton bill, we ask you to leave it alone, to let us work with this.

Cotton has grown 68 percent from what it was last year; the farm bill is working if we can just continue for 4 more years——

The **CHAIRMAN**. You mean the 40 page cotton bill I've got here—you want me to introduce it tomorrow?

Mr. **WEBSTER**. No, sir, no, sir.

The **CHAIRMAN**. Just keep it then? Just thought I'd check, I wanted to make sure.

Mr. **WEBSTER**. Leave it with me, it will be safe.

---

[1] See p. 352 for the prepared statement of Mr. Webster.

The **Chairman.** It will be safe with you?

Mr. **Webster.** The program that we have enacted as far as cotton is concerned under this bill is working perfectly and we want you to, please, just leave it alone.

Mr. Chairman, Senator Fowler, and Georgia cotton farmers, we want the boll weevil eradication program to start this year. Our farmers are willing to put up 70 percent of the cost with the remaining 30 percent shared by the Federal Government. We need $8.5 million right now to begin this all important program this year in our State. We would hope that we can join together this self-helping program which will be, if implemented this year, a giant step toward helping our cotton farmers in Georgia see the light at the end of the tunnel. We had a terrible crop year last year, because of the drought in our State that we just didn't have any crop whatsoever; but cotton still is a plus in our State.

I would like to talk to you just a little bit about the boll weevil eradication which was started in North Carolina and it's now at our borders of South Carolina. The farmers of this State have voted overwhelmingly to assess themselves at 70 percent of the cost of this program. The Federal Government cost of this is 30 percent; which to get this program started in 1987 we need approximations of $8.5 million and I think some of the people on the Cotton Council have presented these things to the committee and Senator Fowler knows of this.

I would like to say that the boll weevil eradication program would not only just benefit the farmers of our State, the cotton farmers, but it would benefit the other segments of cotton. It would mean a tremendous plus for cotton. It's a 3-year program and at the end of that 3-year program we could see as much as 60 percent increase in our cotton acreage as time comes on because of what we have seen happen in North and South Carolina.

This could mean as much as $436 million to our economy in this State. It would help rural development because cotton is grown in the rural areas; the gins are in the rural areas; the warehouses, most of the warehouses are in the rural areas. So we are talking about rural development, not something that would help somewhere else, it would be right here in our rural areas.

I would like to also say that this whole program would cost $35 million to run it for 3 years, and the farmers have voted overwhelmingly to run this program at 70 percent of their cost, and I would like to encourage you to support the appropriation of this money.

And, again, let me thank you for coming to our State. Senator Fowler, let me thank you for bringing him and it's a pleasure to serve and talk on this committee.

Senator **Fowler.** Thank you, Bobby, very, very much.

The **Chairman.** I want you to know I've got on an American made cotton shirt with American cotton in it. It must have come from Georgia, it's the most comfortable shirt I've worn in years.

Mr. **Webster.** Thank you, sir.

Senator **Fowler.** Gene Marks, representing the dairy industry and television star. Welcome, Mr. Marks.

STATEMENT OF GENE MARKS, PRESIDENT, GEORGIA MILK PRODUCERS, INC., ATLANTA, GA

Mr. MARKS. Thank you, Senator. I've had the opportunity to know Senator Leahy a long time——

Senator FOWLER. Pull your microphone up closer to you.

The CHAIRMAN. Get even closer if you're going to say something nice about me, I want that mike close.

Mr. MARKS. I've had the opportunity to know the Chairman of the Senate Ag Committee, Senator Leahy, for a number of years and I, too, would like to welcome him to Georgia. We are also extremely proud of our own Wyche Fowler here for getting on the Agriculture Committee on behalf of our entire State.[1]

We appreciate the leadership of you as members of the Senate Ag Committee in getting dairy legislation passed in the 1985 farm bill and also the Dairy and Tobacco Adjustment Act of 1983. Strong efforts were made in both of these bills to address the thorny issue of surplus milk production.

I might not ought to leave this out in view of prior testimony but the Dairy Termination Program seems to be working at least for the time being. There's a great deal of question as to whether we will have surplus production down the road. The answer to this question will depend on many things that cannot be determined at this time. Such things as feed prices, opportunities in other areas of agriculture, the overall economy, the effectiveness of our promotion program and world production of milk will bear heavily on future milk production in this country.

We realize there are several pieces of legislation on this subject that have been introduced and that different organizations of dairymen around the country are studying various plans and ideas. The Georgia Milk Producers also have a plan that has been developed.

In developing this or any other national dairy policy we think it's important that Members of Congress recognize that regional differences exist within our industry.

Experience has shown in both the Dairy Termination Program and the Diversion Program that efforts to cut production nationally actually created shortages of fluid milk here in the Southeast.

Senator, we appreciate your remarks on the trade bill and along with the National Milk Producers Federation, we support legislation that would place a quota limit on casein imports at 50 percent of the average amount imported during the last 5 years. It is my understanding that the rapid growth of casein imports displaced, for example, about 7½ billion pounds of milk in 1985. This, ironically, is just about the same equivalent amount of CCC purchases projected for 1987 by the USDA.

Lastly, this hadn't been touched on but the new tax law may have some implication for all the cattle producers that I really doubt were the real intent of Congress. For example, the treatment of replacement cattle under the new law may require farmers to pay a great deal more tax over the next several years and require much more extensive recordkeeping.

---

[1] See p. 354 for the prepared statement of Mr. Marks.

I would also like to touch on one thing, it's not any prepared testimony, but the dairy business is an extremely high capital investment industry and we are concerned over the Farm Credit System. We hope that Congress will keep a watchful eye on the subject and do whatever is necessary to keep it solvent. Farm Credit is the life blood of agriculture and we have got to have it. Senator, I thank you for the opportunity to speak here.

Senator FOWLER: Thank you very much, Gene. Next from Camilla, Georgia, representing the soybean growers, James Lee Adams. We are glad to have you.

STATEMENT OF JAMES LEE ADAMS, JR., VICE PRESIDENT, AMERICAN SOYBEAN ASSOCIATION

Mr. ADAMS. Thank you for being here and we appreciate your being here so we can express to you our frustrations and aspirations of living in rural south Georgia and, hopefully, give you some indications and suggestions that might help what ails us.[1]

I'm a farmer and 100 percent of my income, when it is income, is derived from farming. But let there be no mistake about it, what we are talking about today is the standard of living for ourselves and our children and those who come after us. Our livelihood is threatened from forces that are external to the borders of the United States and, also, it seems to many of us, that not only are other countries eating our lunch but some administration and world financial leaders are setting the table for them.

Let me give you some examples. Many IMF and World Bank loans are specifically targeted at increasing production for exports of commodities that already are in world wide surplus with the objective of servicing debt, regardless of the havoc this creates in the world economic community, agriculture particularly. And I'll give you some more specific examples of what has occurred.

Recently, there was a $350 million loan that went into Argentina with the specific purpose of expanding their wheat and Soybean production and, as an aside, I would mention, Wilbur, they are also rapidly increasing their peanut production in this same area.

Brazil, we sent—the American Soybean Association sent a study team in a couple of years ago and then said, "Don't worry, we are reaching the limits of how far they can expand their production because they do not have the rail facilities to bring soybeans out of the interior of the country". Somebody had been reading our mail, evidently, because soon after that a $200 million loan came from the United States going into Brazil to put railroads into the interior. We find that rather ironic the fact that we are building up infrastructure overseas and we are destroying infrastructure in rural south Georgia; we are shutting down railroads in our area.

The drought devastated us in the Southwest last year; it also hit Brazil. And we found out now there's a $4.3 billion loan going into Brazil to put in irrigation in this area. And right after this went in, we had Brazilian farmers coming up here, and Wilbur will probably remember this too, trying to learn how to grow peanuts under irrigation. I think we see where they are headed.

---

[1] See p. 355 for the prepared statement of Mr. Adams.

Last December I was in Tokyo representing the Soybean farmers and we went to the U.S. Embassy and we come to find out that they are preparing a symposium on the use of rapeseed. We don't export any significant amount of rapeseed at all into Tokyo and Japan; in fact, that's our number one country, market, for the export of soybeans. Canada does. But our own U.S. Embassy was promoting the use of a product that is in direct competition to our own products. They said in trying to justify it that sometime in the future we might be wanting them to export it so that's where they were coming from.

Technology, and I guess I'll need to get on the cotton area a little bit in this. There's a cotton model or computer model that's been developed for farmers and farmers are being able to utilize it to increase production very rapidly; I understand it's working out very well. We have discovered now this coming year approximately 100 U.S. cotton farmers will have access to this model but it has been given to the Israelis and 100 percent of their farmers will have access to this model this coming year in order to increase their production. The Egyptians have come in and applied for it, too. We don't object to technology transfer but if we paid for it and we developed it, we think our farmers ought to have first shot at it before it's sent overseas.

The United States can no longer be Uncle Sugar to the whole world, we must regain and I use this word advisedly, "that Yankee trading, cunning and ingenuity," that our forebearers possessed and it must begin at the top. Those minding the store have seemed to be determined to give the store away and do not recognize or care that U.S. farmers owe more than Brazil, Argentina, and Mexico combined. In the last 5 years we have lost 400,000 jobs to the decline in ag exports.

Well, what can we do? I think number one, we can recognize that we are talking, again, about our standard of living for ourselves. We have given away autos, we have given away steel, if we give away agriculture and relegate it to the economic scrap heap, I guess we will all wind up making a living by suing each other. But I think, number one, we need to recognize that market is out there——

Senator FOWLER. I think that's what Jim Bakker is doing, but we are trying not to do that.

The CHAIRMAN. I'm leaving that one alone.

Mr. ADAMS. We are operating an office, the Soybean Association has been operating an association office for the marketing of soybeans for about 20 years. If we could raise the People's Republic of China per capita consumption of soybeans to the level that their Taiwanese cousins presently have today it would take all the soybeans currently grown in China plus all the soybeans that are currently grown in the United States just to service that market. Somebody is going to sell to that market. The question is do we have a determination to have it ourselves or are we going to give it away to someone else.

How can we get it? We must have marketing loans extended on soybeans. It's already in the law. That's the reason we want to keep the law as it is but we want the administration to go ahead and implement it and wind it up and put it in for us. We must have foreign aid that puts us first. We must have the credit needs of the agricultural sector met, our infrastructure preserved and improved, Third World debt addressed, exchange rate stabilized, and the GATT negotiations conducted with agricultural interests in mind. This coupled with the realization that we no longer can afford to be the "good guy" in the world trade and the determination to get our "fair share" will enhance our economy.

Thank you for being in south Georgia and we appreciate your being here.

The CHAIRMAN. Thank you, very much. If I might, Wyche, before I go to the last witness, note two things. One is that Gene Marks had mentioned the Farm Credit System and, as you know and everybody here should know, and I mentioned it at a couple of places we have been today, that is set as one of the two or three top priorities of the Senate Agriculture Committee this year. We've had extensive hearings on the Farm Credit System. I asked Senator Boren, the former Governor of Oklahoma, a senior member of the Senate Agriculture Committee and Chairman of the Intelligence Committee, to chair a committee to look into that.

We've had a working group. Senator Fowler has been involved, as have I, and others with the idea of trying to get some consensus legislation out by the first of May. We are not going to allow the Farm Credit System to unravel across this country, the effect on the farm States would be disastrous, the ripple effect would go far beyond farming. It would go into a whole lot of other areas. I do not want to see that happen and it's not necessary to have it happen.

And I would also note on the export question, I added a Subcommittee on Domestic and Foreign Marketing and I've told Secretary Lyng and I've told Secretary Shultz that it's going to be very aggressive in following up on our export trade policy. I think that we have been far too lax in agricultural export/import policy during the past decade. I think there's a bipartisan consensus in the Senate to strengthen that and we will.

Senator FOWLER. Thank you, Mr. Chairman. Last, but certainly not least, from Damascus, Georgia, is Joe Bryan representing the peanut shellers. Mr. Bryan.

STATEMENT OF JOE BRYAN, REPRESENTING THE PEANUT SHELLERS, DAMASCUS, GA

Mr. BRYAN. Mr. Chairman, Senator Fowler, my name is Joe Bryan and I'm a peanut sheller from Damascus, Georgia, and I've also grown some peanuts in my life. I've lived in southwest Georgia all my life and been involved in peanuts all my adult life.

It is impossible to overstate the importance of the peanut industry in Georgia, Florida, and Alabama. The majority of the peanuts used in the country are grown in these three States and the vast majority of the peanuts exported from the United States are grown in Georgia, Florida, and Alabama. In the last full year, 1985–1986, for which complete figures are available, we exported 303,927 metric tons which translates into approximately $228 million just for the shelled exports which come from these three States. In other words, the Southeast peanut industry contributes a positive

$228 million to the balance of payments problem of the United States. I want to emphasize that this is a net plus of $228 million.

Therefore, while peanuts are a small commodity, the peanut industry in these three States makes a very significant annual contribution to the balance of payments of the United States. Now, I must add quickly that there is absolutely no cost to the Government for the peanut program and, therefore, no cost to the Government to produce this positive balance of payments effect.

I don't have to tell you gentlemen that the agriculture economy of this region is in desperate shape. Without peanuts we could not and would not have survived. Frankly, for the most part, peanuts are the only crop in which our farmers are making a profit.

In our three State area there are 13,628 peanut farmers. In addition, shellers in the three State area employ 5,765 people. For the most part, shellers and farmers are located in the rural areas and, therefore, provide employment in areas with substantial unemployment. In addition to the employment provided, peanuts mean approximately $732,375,000 to the farmers in the three State area; shellers serve an indispensable and integral part of the industry chain between farmers and manufacturers.

Since there presently is no futures market in peanuts, shellers must provide the market with peanuts and take the entire, quite substantial risk, particularly as it relates to exported peanuts. The risk in dealing in export peanuts for the shellers is quite high with potential wide swings in price and no feasible way to hedge the shellers' position.

The peanut program as passed in the early 1980's has worked well. Congress in 1985 made some changes to make it work even better. I think most everyone is quite pleased with the new bill now that we have operated for almost a year under it. In fact, it should be considered as a model program. I would suggest that the committee might consider modeling other commodity programs after the peanut provisions of the farm bill.

The bottom line is that we have a successful program. However, several technical deficiencies in the new bill have been discovered, particularly with reference to exports, which probably should be addressed at some point. But for the most part, it is a good bill that is good for the peanut farmers, the peanut industry and the country as well.

We peanut people of Georgia, Florida, and Alabama very much appreciate your coming to our territory to listen to our comments and observe our situation. We appreciate your efforts on the Peanut Program passed in 1985 and hope you will continue to work with us to develop an even stronger peanut industry.

The CHAIRMAN. Thank you, sir.

Senator FOWLER. Thank you, Mr. Bryan, very much.

Mr. WEBSTER. Mr. Chairman?

Senator FOWLER. Yes, Mr. Webster.

Mr. WEBSTER. You mentioned that you wanted to save the Farm Credit System and I think we are all in favor of that but, Mr. Chairman and Senator Fowler, pass it down to the farmers that live in these rural areas, too. Saving the Farm Credit System is wonderful but if you don't let it pass on to the farmer that's doing it and paying for it——

The **Chairman**. You speak words that are music to this Vermonter's ears, let me tell you.

Wyche, I think the hearings have been very good. I appreciate the fact that you've all been so nice to both my wife and myself while we were here in Georgia. It means a lot to me. As I said before, I come from a very rural State. I find a lot of rural Georgia looks like rural Vermont, except for the ski areas, and certainly the people are similar.

You want to be able to earn a living. If you work with the land, you want to be able to continue to work with the land; you want to be able to tell your sons and daughters they can do it, too. I know how much my wife and I enjoyed being with Jay and Bama Norman last night at their home. Wyche, I'm glad you spoke up and relied on our long standing friendship that began with our first meeting on the Agriculture Committee and got me to agree to come down here. It was well worth it and I thank you and I also thank the people of Georgia for being so nice to us.

Senator **Fowler**. Thank you, Mr. Chairman. We, Mr. Chairman, thank you for those kind words on behalf of all of us here. You know how much we appreciate your coming, we learned something and I hope we are going to reflect that in our policy decisions.

I should have done this earlier. I saw outside—I know there have been several members of the Georgia General Assembly who have been here. I don't know who is still here but I would be remiss—I introduced Senator Leahy to the Chairman of the Georgia Senate Agriculture Committee, Senator Sam McGill of Wilkes County. Sam, are you still here? There he is, Mr. Chairman, we welcome you.

And also, the Chairman of the State House of Representatives Agriculture Committee, Henry Reeves, Chairman Henry Reeves was here. I also want to say, Mr. Chairman, if you will forgive me, Hill, come out here, where is Bob? I have two people from southwest Georgia who are now on my staff, speaking as Georgians to Georgians now, many of you know Bob Redding, where is Bob? Here he is. Bob was with me in Washington. He was chief of staff for Congressman Charles Hatcher working with the agriculture community. And all the people on this stage, I'm very pleased that since all of you know I don't have any agriculture background, I'm trying to surround myself with a lot of people where we have worked together so we can continue to work together and come up with some better policies. Bob is with me in Washington, Hill McKinley raise your hand. Hill, you look a little stiff.

The **Chairman**. Hill, you shouldn't worry, we Senators know that Senators are merely constitutional impediments of the staff. The staff does all the work.

Senator **Fowler**. Hill is a farmer from Bluffton, Georgia, whose family has been on the land there for seven generations and Hill has come with me full-time as a regional representative so that I can send him from county to county to see you and talk to you and just another way that you'll have access to me through Hill McKinley and Bob Redding.

Mr. Chairman, in conclusion, I just want to say that we all know here, this had been extremely helpful to me and you but also to the staff, your staff, our staff of the Agriculture Committee that we brought down with us. We've made a lot of mistakes in our Federal policy, we've made a lot of mistakes in the tax bill last year that many of these men and women as they are filling out their taxes right now see on depreciation, investment tax credits and things that I do not—I think we are penny wise but pound foolish in our long term development. We certainly know the problems in the credit system now.

But I do think, at least I would like to say as a city boy here to this group in response to all the panels that what we are doing right now in our programs and you've heard so many of them are working is that it is really the consumer that is getting the subsidy; it's the farmer that gets the check but that enables the consumer to buy the highest quality food at lower than the cost of production. Some of my brethren in the cities that get the finest food produced in this country sometimes forget that when we get into our debates on what the policy ought to be.

All of your participation here was extraordinarily helpful to us as we go back to our duties in the U.S. Congress. Thank you for taking the time, thank all of you for being with us.

The CHAIRMAN. Thank you, we stand adjourned.

[Whereupon, the committee adjourned, subject to call of the Chair.]

APPENDIX

MINNESOTA HEARING—FEBRUARY 9, 1987

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC, February 9, 1987.

Hon. PATRICK J. LEAHY,
Chairman, U.S. Senate Committee on Agriculture,
Washington, DC.

DEAR PAT: I know all Minnesotans join me in welcoming you and your colleagues to the Twin Cities; and all those who care about the future of rural areas applaud your efforts to bring these field hearings to America's heartland.

I am sorry that, despite your very kind invitation, it is not possible for me to be with you today. I am currently on a three day trip through Southwestern Minnesota, holding a series of meetings with farmers, local officials and community leaders in a dozen farming communities. These discussions, along with many others I have held over the past several years, have convinced me that our efforts to help these communities cope with the enormous changes they are now facing is the highest single priority now before the Congress.

One of the purposes of my meetings with farmers this week is to gain their input on the various legislative proposals which are being introduced in the 100th Congress in an attempt to deal with what I call the "three failures" of the 1985 farm bill: The failure to improve farm income; the failure to expand exports and reduce surpluses; and the failure to meet the tough test of fiscal accountability which all federal programs are being subjected to as we attempt to reduce our unconscionable budget deficit.

While this last failure is driving much of the work on farm policy within the Administration, I believe it would be a tragic mistake to adopt the recommendations for changes in farm programs contained in the President's FY 1988 budget. Across the board cuts in target prices of ten percent per year would cost Minnesota's corn and wheat farmers more than $250 million per year in income. That's intolerable at a time when federal price supports account for nearly one-third of net U.S. farm income.

In coming up with an alternative to current law—and to the draconian budget proposal being advanced by the Administration—I believe we need to apply a set of basic principles.

Farm policy has to be achieved through bi-partisan consensus, for example. The pain being felt in rural America is too severe and too real to be subverted by some kind of partisan, political free-for-all designed to position candidates for the 1988 election.

Second, farm policy must have income protection as its primary objective, at least in the short-run. Again, one-third of farm income in this country now comes from the Federal government.

Third, export promotion must be a primary object of farm policy, particularly until current surpluses are reduced. Any farm policy which requires trade barriers which keep out virtually all imports and which eliminates any foreign market for our own exports ignores the reality of today's international agricultural marketplace.

Fourth, cost control—as I mentioned earlier—is a necessity. We can't sustain, politically, a program which is taking so large a share of the federal budget, with so little to show for it in meeting it's primary objectives.

Fifth, and related to this principle, is the need to better target federal income protection. Smaller farmers must be top priority. Particularly in a political sense, we cannot continue to justify news stories of very large individual farming operations receiving millions of dollars a year in farm subsidies.

Sixth, any farm program must be broad-based and fair. It cannot hurt some farmers—livestock or dairy farmers, for example—in order to help other farmers with artificially high commodity prices.

Seventh, conservation must be a primary goal of any federal farm program, partly to recognize the importance of protecting our soil and water resources for future generations; and partly because the international market will not sustain the volume of farming activity that just a few years ago the federal government, ag economists, bankers and others were encouraging farmers to produce.

And, finally, any federal farm policy requires a substantial component which will facilitate debt restructuring. Current low prices hit those who are heavily leveraged the most.

A study released just last week by the University of Minnesota documented another 25 percent decline in the average value of farm land in Minnesota in 1986. In the last six years, that average value has gone from $1310 per acre to $515 per acre, representing a total loss in equity for Minnesota farmers of $24 billion.

I know these field hearings will demonstrate that the crisis facing rural parts of this country is much bigger than a crisis facing farmers. Every aspect of life in rural areas is threatened by what we see happening: On main street, in rural hospitals, in rural local governments which are struggling to keep up with growing demands for services with less help from Washington and with fewer resources of their own.

That's why, in addition to supporting changes in farm policy and debt restructuring, I intend to introduce a series of legislative proposals of my own in the 100th Congress under a general heading I like to call "Coping With Change."

The first, which I intend to introduce next week following the current recess, will attempt to help particularly smaller rural hospitals cope with the enormous changes they are facing due to the combined affects of the rural crisis and the more general changes going on in the financing and delivery of health care in America.

The purpose of this legislation is to provide small grants to rural hospitals to help them better meet the changing needs of their communities. Not every hospital can, or should provide every health service. But, there are many types of health and wellness services—not now provided in many smaller hospitals—which could be.

This legislation will help smaller rural hospitals determine how adding new services or concentrating on fewer services might guarantee future survival for both the hospital and the people living in the community it serves.

A second piece of legislation is one which I first proposed last year which provides a new form of Targeted Fiscal Assistance (TFA) grants to local governments—to counties, cities and townships.

TFA was intended to be a replacement for General Revenue Sharing which, as you know, expired at the end of last year. Because the formula for distributing TFA grants favor poorer communities, rural local governments generally come out even better than they did under General Revenue Sharing, even though the total amount of money in the program has been cut in half.

A third piece of legislation I intend to introduce is an example of the kind of response we need to be making to the trend toward deregulating public services in this country.

Every year, the Administration's budget has proposed eliminating the federal government's Essential Air Services Program which currently is subsidizing air service to Worthington, Mankato, Fairmont, and Thief River Falls, plus another 150 or so smaller cities across the country. That program is now scheduled to expire at the end of 1988.

Changes are needed, and we have to make sure that the most cost-effective service is tailored for each community. But, I intend to introduce legislation which will continue subsidies to small cities air service at least into the 1990s.

Deregulation has done wonders for individuals flying between major cities. But, it now costs more to fly from the Twin Cities to Worthington or the Twin Cities to International Falls than it does to fly from the Twin Cities to Los Angeles.

Without some form of subsidization, places like Worthington and Fairmont won't have air service, at *any* price.

These and other legislative proposals I intend to offer—to protect ground water and to encourage restructuring of Third World debt, for example—demonstrate the broad base of action needed to deal with the many facets of the crisis facing rural America.

Again, I want to commend you, my colleague Senator Boschwitz, and the other members of the Senate Agriculture Committee for your willingness to bring these field hearings to America's heartland. I look forward to continued close cooperation as we work together on these and other legislative priorities during the 100th Congress.

Sincerely,

DAVE DURENBERGER, *U.S. Senator.*

STATEMENT OF HOWARD L. TURCK, LITCHFIELD, MN

THE AGRICULTURAL EXPORT MYTH

I am a farmer from Litchfield, Minnesota. I farmed the same land my father farmed, which my grandfather homesteaded. My son has pretty much taken over the farming operation now—and some day I would like to see my grandson able to make a living on the same land.

I've heard a lot of nonsense about farming during the present agricultural crisis. One good example—I've heard politicians propose that farmers will make more money by selling more products for lower prices. From a politicians point of view that may make sense. But when prices are already so low that I get less than the cost of production for grain, then selling more products at lower prices only increases my ultimate loss.

As long as the price I get is below my cost of production, I am not making a dime. Selling more bushels at today's depressed prices is not going to do a thing for me, whether I sell to the USDA or Cargill or Russia.

So that's the biggest fallacy of this whole export theory. From 1973-1983 farm exports increased 143 percent. During the same time net farm income dropped 40 percent. The only ones making money on exports are the grain companies, because they won't handle my grain without being paid. I as a farmer am not making a dime on exports unless prices are higher.

The second fallacy of the export theory is the statement that there are export markets for all we can produce. Once upon a time that was true. It is not true now and it will never be true again.

Our U.S. agricultural exports have been falling ever since 1979. There was a 25 percent drop from 1979 to 1986. In 1976 world grain production was 354 million metric tons of corn, 421 million metric tons of wheat and 66 million metric tons of soybeans. In 1986 production was estimated at 464 million metric tons of corn (up 110 million), 510 million metric tons of wheat (up 89 million), and 96 million metric tons of soybeans (up 30 million).

The U.S. raises about the same percentage of the world's grain that we did in 1976, but overall world production is up so much that the overseas markets just are not there any longer.

India, for example, is a net exporter of grain, and has grain rotting in storage bins. Bangladesh raises enough food grains to feed all its people. China has raised food production by forty percent in the last five years.

So foreign markets for our feed grains are getting scarce. And at the same time our country is importing more and more food. In May, 1986, for the first time in fifteen years, the U.S. imported $2.2 billion in farm products and exported only $1.86 billion. Our imports of vegetables went from less than $700 million in 1980 to $1.1 billion in 1985. Fruit and citrus concentrates went up by equally dramatic amounts. And of course during the same times U.S. exports of vegetables, fruit and citrus products fell dramatically.

We United States farmers have been told to produce for export markets. Obviously it hasn't helped the U.S. farmer. But grain companies have profited—they build in a margin of profit on every bushel sold, stored or shipped, regardless of the price paid to the farmer. And a few multinational grain companies control enough of the world market to make sure they can charge a profitable price.

Worldwide grain markets, international grain companies, and international financing systems have encouraged higher and higher production in the United States and in other countries. Our agricultural exports are also a crucial factor in preventing U.S. trade deficits. Our favorable balance of payments has been maintained at the cost of sacrifices by American farmers.

From day one the farmers have not received a return for their labor and a return on their investment. While everyone who sells to the farmer—be it fertilizer, implement or chemical dealer—sets a price to receive a just profit, the farmer has been unable to set a price and has not received justice.

Farmers no less than anyone else need and are entitled to a just return on their investment and compensation for their labor. Farmers need and in justice are entitled to health insurance, life insurance, retirement planning, and even educations for their children. Justice demands that people who feed the nation should not have to work eighteen hour days to feed their own families, and look for clothing bargains in Goodwill stores.

Third World countries have been caught in the same export agriculture trap as U.S. farmers. They need export dollars to make interest payments on loans from U.S. and other foreign banks, so they have frequently turned away from producing food crops for their hungry people and instead turned to producing cash crops for export.

One example is Honduras. During the 1970's coffee and beef exports doubled. Every domestic food declined—corn, rice, beans and sorghum production dropped. Since 1976 Honduras has had to import these key foods for its people. The consequence—76 percent of Hondurans are malnourished and 90 percent of the families are too poor to buy an adequate diet.

And what is even worse—the Honduran beef industry, which takes away food grains from their people and in turn competes in prices with our domestic beef industry—that Honduran beef industry has been fostered and developed through U.S. foreign aid funds!

Export crops in the Third World are also rarely grown by small peasant farmers. Frequently they are grown by large landowners who have seized small peasants' land with the help of repressive governments and military machines. Farmworkers driven off their own land work for large landowners for two or three dollars a day or less. Unionization or organizing for higher wages is forbidden. So food imports frequently come here at a high cost in misery and injustice.

Multinational companies profit, too. They locate food processing facilities where labor costs are cheapest, thus undercutting both American farmers and American workers.

In Third World countries and in the United States high tech farming leads to high capital inputs, which put farmers in debt, which makes them vulnerable to losing their farms and livelihood.

In both the Third World and here, farming for export means that farmers no longer grow their own food, must pay cash for food, go in debt or go broke—and have to take surplus cheese, food stamps, and assistance from food shelves. What a tragedy this is!

Not only our farm economy but our land itself is suffering under the pressure of high-intensity, export agriculture. Here in the United States and around the world vulnerable land is being eroded, polluted and destroyed.

This country needs to stop farming the farmers for its cheap food supply and instead start rewarding farmers for feeding the nation and for taking care of the land which can feed us for generations to come.

That is the challenge I lay before you.

STATEMENT OF MINNESOTA COACT

The subject of today's hearing is something everyone supports: trade. The debate is over whether trade is the solution to our current farm crisis or simply one aspect of the agriculture industry, no more important than it is to the auto, steel, or any other industry.

The major grain trading companies and their allies in Congress and in the universities are trying to tell us that increasing exports of major commodities is the solution to low farm income for American farmers. The thirty thousand members of Minnesota COACT totally reject this idea. There are simply not enough export markets to be captured to increase demand for American farm products enough to increase prices significantly. Nearly every country by now realizes that becoming dependent on imports to meet their food needs is the surest route to economic disaster and even starvation in poor countries. Many former importers of food are not only self-sufficient, but even net exporters as they search for sources of hard currency to pay for development projects.

The drafters and supporters of the current farm legislation are not dissuaded by the total failure of their approach to raising farm income. In reality, the failure of their approach was and is absolutely predictable. They propose to "recapture" foreign markets by driving other exporting countries out of the market and farmers out of business and thus make their countries dependent on American farm products. It is obvious that we are not going to drive the European Common Market countries out of the export market, since they are simply increasing their subsidies to their farmers to keep their prices stable, even as world market prices tumble to levels set by the American loan rate. Similarly, countries like Brazil and Argentina can't afford to lose foreign markets because agricultural products are one of the few sources of hard currency they need to pay their huge debts to foreign banks. So the only markets that could possibly be captured are those in the poorest Third World countries. These countries lack the ability to protect their farmers. American farm products entering local markets at below cost-of-production will very possibly drive these farmers out of business. They will be forced to join the landless, destitute squatters on the fringes of their cities. As long as American products are available at current low prices, these countries may continue to buy them. However, if the intended increase in prices ever occurs, these poor countries will be forced to severely curtail their purchases. The small elites will continue to eat well regardless of the price, but the mass of the population will simply be unable to eat. So if prices ever do go up worldwide, the result will be starvation in the countries that became dependent on American farm products at lower prices. If the prices don't go up the result will be continued depression for American farmers and subsidy costs to the American taxpayer that are simply unsustainable.

American farmers utterly reject the unspeakable obsenity of a farm policy which proposes to increase their income by causing poverty and starvation among farmers in other countries. American farmers have also figured out that this policy won't work, and that the only beneficiaries are the multi-national grain traders who are part of the problem, not of the solution.

A more rational and effective farm policy begins with a loan rate that sets prices to give the American farmer a fair price, one that reflects cost of production plus a fair profit to pay the farm family for their work and their risk. Surpluses are handled through a fair and equitable supply management program that targets the benefits of the loan rate prices toward small and beginning farmers. This is the approach contained in the Harkin-Gephardt bill. The FAPRI study, funded by Congress, indicates that under the Harkin-Gephardt bill, the quantity of corn and soybeans exported through 1996 will be somewhat less than under the current law, but the value of the exports will be $248 billion under Harkin-Gephardt, and only $137 billion under the current law. In this context, trade is a boost to the consumer who has a wider variety of products at lower prices and a way of enhancing income for farmers, rather than a subsidy to the grain-trading companies. It also provides a way of balancing the trade deficit with heavy exporters into the American market like Japan and Taiwan. These markets can be maintained and enhanced by higher prices to American farmers, as shown by the FAPRI study. The higher prices can also mean a large boost to the American economy. These benefits are readily achievable. Our present policies are bankrupting the farmers in the United States and around the world, as well as the entire American economy. This is too high a price to pay to protect the grain traders and other agribusiness companies who advocate all-out production regardless of the market.

STATEMENT OF HON. TIMOTHY J. PENNY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

It is a pleasure to submit this testimony to the Senate Agriculture Committee during their field hearing in Minneapolis. I originally shared my thoughts on agricultural trade at the first annual agribusiness International Trade Conference held in Mankato, January 13th. At a time when the export markets are becoming more and more competitive, it is important to find ways that we can make our exports more viable.

None of you need to be reminded of just how crucial exports are to our farm industries. Roughly one-quarter of all that U.S. farmers will produce, 108 million tons in fiscal 1986, will go to overseas destinations.

For the first time in twenty years, the United States posted a monthly agricultural trade deficit in May, June and July. This decline was due to a decrease in our exports rather than an increase in imports. One more recent example of the decrease of our exports is the restrictions placed on corn and oilseeds with the entry of Spain and Portugal into the European Community. The United States has fortunately worked out a trade agreement with the European Community on this matter but certainly negotiating market shares will more than likely be a source of conflict in the future.

We as a country have a right to protect our share of the market. But as the battle escalates, the real losers are the producers in both countries who are restricted in marketing their products. This one example points again to the need for the international community to sit down and negotiate market shares so that our producers are not continually buffeted by trade wars and tariffs.

The downturn in exports is distressing and should cause us to look closely at our total agricultural system, with special attention given to our marketing processes. We all know that our country has the ability to do almost anything we want in terms of gearing up farm production or producing quality food products. We generally do this better than any other nation. Despite this clear advantage in production, most of our farm commodities have sustained four years of export decline.

Of course, there are a number of standard reasons generally cited as the causes of this lagging performance. I'm sure you have heard the litany recited any number of times:

World weather has been abnormally favorable recently, with record crops four of the last five years.

The world went through a recession that cut back on the ability of nations to buy goods.

The value of the U.S. dollar has been high enough to make it extremely difficult for us to compete against other currencies.

And other countries subsidize their production and their exports and limit entry of competing products.

Many countries have significantly increased their capacity to produce which has increased the competition for export markets.

Some of these factors have begun to change. The dollar is looking better in Europe and Japan. Interest rates are lower; most nations seem to be well on their way out of the recession.

Export subsidies are under intense scrutiny, nationally and internationally. We have agreed to discuss agricultural trade at the GATT talks where subsidies will receive strong attention in order to address some of the trade problems that are plaguing all the major exporting nations.

If production was the watchword of the 70's than competition is the word of the 80's. Americans are competitive and we like a challenge. The situation we are facing today is trying to hold on to our share of the export market.

Our country is one of the most prolific producers of agricultural products in the world. To our disadvantage, country after country comes to the U.S. Department of Agriculture in search of advice on improving agricultural production. Unfortunately, for ourselves, marketing has not been given the same emphasis by the USDA.

(1) We need to actively seek out new overseas customers. We need to determine their product tastes and preferences. Before we can sell a product to a customer, we need to find out what product that customer is willing to spend their money on. We also need to continue the development of agriculture promotion councils and long-term trade agreements.

Here in Minnesota, we see several examples of responding to technological advances. At the University of Minnesota at Waseca, they are in the process of developing resource materials for producers who want to look beyond traditional farming methods. First they are examining alternative enterprises which includes specialty crops, bed and breakfast lodging and recreational uses for farmland.

In addition, the university is also developing information on nonfood uses of agricultural production. Research is being done to develop industrial materials out of various crops such as rapeseed and Jojoba.

These agricultural products are also known as critical materials because of their strategic importance to the United States. Our country depends on a number of products that are vital to the Nation's economy and could be agriculturally produced in the United States. Currently, many of these industrial products are petroleum based, and research has shown that substitutes such as oils, waxes, resins and lubricants can be derived from plants. I am sure that we are all aware that thirty years ago, we had very little soybean production in the United States. In response to world demand, soybeans has become one of the major cash crops in our country.

In Minnesota, the McKnight Foundation, which was funded by 3M is in the process of providing seed money for a variety of interests. U.S. agriculture must diversify, particularly into nonfood product areas, and move away from overconcentration in a few primary production areas. I hope that the McKnight Foundation will focus in this area. In addition, an area that needs to be explored is promoting foreign investment in agricultural processing facilities to allow us to make use of the rich raw materials that we produce right here in Minnesota.

(2) We also need to offer a quality product that is consistent with our customers needs and expectations. One issue that I am deeply concerned with is the quality of our grain that we ship overseas. I personally would support the prohibition of dockage, foreign material and dust in our grain. I realize that is not a popular position

with grain exporters. However, there must be some reason why our foreign customers don't want to purchase our grain. We are told that our prices are to high. I just don't buy this. How much lower does the price of corn need to go? Who wants to tell our farmers that our prices are not low enough and that they will need to learn how to produce corn at $1.25 a bushel so that we can be competitive. I think that our exporters need to also bear some of the cost of trying to maintain our competitiveness. And that cost might be exporting the cleanest grain in the world. We literally have corn coming out of our ears. So why not send the very best overseas. Our producers in the United States should be known for producing the finest quality corn in the world. In the past we have seen foreign countries pay a premium for a top-quality product. Of course we have all heard the argument that our customers want to but #2 corn at a #3 price. Well maybe they do. We presently have roughly 6 billion bushels of corn in storage. We have grain stored in barges and on the ground. In three years it will be so out of condition that our country won't be able to give it away.

(3) We as farmers have got to realize that we are part of the international economy and that domestic farm policies must be adjusted accordingly. The policies that I am talking about are those which provide too much incentives to produce. With our current farm program the first bushel of corn is worth as much as the last bushel. We find that our farmers are no longer producing for the market and making decisions based on supply and demand but rather on PIK and potential deficiency payments. We in the government have set-up the rules in such a way that the farmer has no choice but to play the game this way.

I have recently introduced legislation with Congressman Bryon Dorgan of North Dakota that would target farm program benefits to small- and medium-size producers. For example with corn, we would raise the target price to $3.50 a bushel and would pay this price on 30,000 bushels or 80% of the base acres, which ever comes first. Farmers would be required to market the grain during a twelve month period so we would no longer have the farmer forfeiting the grain to the government and contribute to our growing surplus problem.

The producer would be required to set-aside 20% of their base acres and half of that set-aside would be rotated every year. This would force the farmer to set-aside a portion of the productive land rather than idling his end rows every year.

The farm would have the option to grow more than 30,000 bushels and could feed it or sell it for the market price. This allows the producer to decide when to market his product and also make decisions on what he can profitably grow.

The agriculture budget faces a $5 billion cut as proposed by the White House in FY 88. Our country cannot continue the policy of subsidizing every last bushel that is produced. We need to again give the farmer the opportunity to make production decisions based on the market and not solely on the USDA.

(4) At this point, I would like to comment on some issues that we will need to consider as we chart the future course of agriculture. We need to develop some type of long-term agriculture program. The farm programs in the past have been essentially commodity programs. We have too frequently failed to look beyond our borders.

I don't think it helps anyone for the U.S. farmer to view the foreign farmer as the enemy. The universal problem is that the world produces too much and the farmers are not paid enough. It is to no one's advantage to export at a loss.

Another long term issue seems to be the developing countries ability to generate enough foreign exchange to pay their debts and also import refined products from the United States.

Over the last 6–8 years we have had over 25 new democracies started in the world and our government is going to do everything within its power to maintain them and that includes financial assistance. However, the repayment of these loans is dependent on exporting agricultural products at whatever price it takes to sell them in the international markets.

There are several ways in which the international debt crisis injures U.S. farmers. First and most immediately apparent is the decline in farm exports to Latin America. In 1981, for example, the U.S. Department of Agriculture reported:

As a result of sales to these Third World markets, U.S. farm exports hit an all-time high in 1981, totaling $43.8 billion. Latin America's contribution to that export boom was considerable. It was the third largest market for U.S. farm exports, trailing only Western Europe and Japan. Between 1980 and 1981, the Latin American market absorbed almost one-half the total growth of U.S. farm exports.

When the debt crisis emerged in August 1982, Latin American markets reacted. In order to obtain dollars to pay interest on their external debt, debtor nations began reducing their purchases of all U.S. exports. From 1981 to 1985, U.S. farm exports dropped 20 percent, in part due to the dwindling sales to Latin America.

In order to pay interest, debtor nations must increase their exports as well as reduce their imports. This additional production and competition cuts into U.S. sales to non-debtor nations and places downward pressure on virtually all major commodity prices. Falling commodity prices, in turn, make it more difficult for U.S. farmers to continue servicing their debt and pushes many of them into bankruptcy. In other words, in the current international economic environment of high debt burdens and global overproduction, falling commodity prices are as much a consequence of the debt crisis as a cause of the debt crisis.

The face of agriculture is changing and I am confident that as producers we can produce a quality product that is competitive. But we also need to look into the future not only of different products and more innovative marketing but also a world where we can co-exist with our competitors in a way that is mutually beneficial.

STATEMENT OF CRAIG WEIR, PRESIDENT, MINNESOTA SOYBEAN GROWERS ASSOCIATION

Mr. Chairman, I'm Craig Weir, a farmer from Delavan, Minnesota where I raise soybeans and corn. I'm president of the Minnesota Soybean Growers Association which represents nearly 2,000 soybean farmers in our state.

Minnesota soybean growers appreciate the opportunity to appear before your Committee today to discuss trade challenges and opportunities facing the soybean industry. Today's trade issues involve growing foreign production, and disputes with the European Community which buys over 20% of our soybeans each year. These are very serious trade problems which will hurt profits for Minnesota farmers unless they're successfully resolved. To understand our concern, let me briefly describe America's soybean industry.

When I plant my soybeans this spring, one row out of every two will be planted for the overseas market. About half of Minnesota's 170 million bushel soybean crop is destined for export.

There was a time when the U.S. completely dominated the world soy trade. Those days are gone. The ill-conceived 1973 embargo on U.S. soybean exports and the three following embargoes through 1980 spurred Brazil and Argentina to develop their soybean industries. In an effort to diversify their source of supply for soybeans and soy products some of our traditional customers, such as the Soviet Union and Japan, invested considerable sums to develop the soybean industry in South America.

America's soybean farmers are now paying the cost of the 1970's embargo policy of the U.S. as they face serious, growing competition from Brazil and Argentina today. And the high-valued dollar in the 1980's didn't help. Here are a few examples of what's happened to our position in world markets:

In 1979, the U.S. had nearly 90% of the world soybean market—while Brazil and Argentina had a little over 10%. By 1984, our market share had shrunk to about 75% while our South American competitors took close to 25%.

In 1979, 50% of world trade in soybean meal was U.S. origin, while Brazil and Argentina together had a 40% share. In 1980, the South American market share surpassed ours. By 1984, Brazil and Argentina had captured 60% of the world market while we had less than 30%.

In 1979, the U.S. soybean oil accounted for about 20% of world vegetable oil trade, while Brazil and Argentina together held a little over a 10% share. (The balance was made up of palm, rapeseed, and sunflower oil.) By 1984, the U.S. share had shrunk to 10% while the South Americans' share grew to 20%.

My point is that Brazil and Argentina now occupy the same position of dominance in soybean product trade that the U.S. once held. Our position in the soybean market itself, though still dominant, is not near what it once was.

We believe Minnesota soybean farmers are competitive producers of soybeans and that in a world of reduced production and export subsidies, their market share and profitability will improve. There are several steps the U.S. Government could take to help turn this situation around for American soybean farmers.

Increased use of the Export Enhancement Program for soybeans and soybean products would also be helpful to help regain markets lost to U.S. soybean farmers. There has been only the EEP offer so far under the program, some 25,000 mt of vegetable oil to India. This is an important export tool to counter export subsidies that have taken away U.S. market share in third country markets.

The Administration should take action to get the Argentines to end their complex export subsidies for soybean meal and oil that have contributed to that country's expanded market share. U.S. soybean processors, supported by American soybean farmers, have filed a Section 301 trade complaint against these unfair subsidies and asked the Administration to take strong action to gain its elimination.

We urge this Committee to develop solutions to the Latin debt problem that do not mean lost markets for U.S. farmers. Third World debtor nations, especially in South America, must earn foreign exchange to repay their external debts by reducing imports and maximizing exports, often agricultural exports. U.S. farmers see their exports fall to these nations and while the same countries now compete for traditional U.S. farm markets.

Minnesota soybean farmers understand we live in a competitive world. We are also working hard to increase efficiency and competitiveness to rebuild our world market share. Minnesota farmers believe they have the ability to be more efficient and more competitive than farmers in Brazil and Argentina. However, the challenge is significant; these two countries have very low land costs (with much virgin land ready for expansion), few soybean diseases and most of the same technology available to the U.S. farmers.

Minnesota soybean farmers are committed to doing their part to out-compete foreign competition, but we are bothered when our own government takes actions that directly help foreign countries compete with us in world markets.

For example, the World Bank approved loans recently to Brazil and Argentina to enhance their soybean industry. Last year the World Bank approved a 15-year loan to Brazil for $200 million to improve railway systems into and out of top soybean-producing areas. At the same time, the World Bank approved a $350 million loan to Argentina to increase Argentine exports of soybeans, sunflowers, and other grains.

The World Bank's own press release said that the reforms associated with the Argentine loan will "stimulate agricultural production and exports . . . Major farm exports such as soybeans, sunflowers, wheat, maize, and sorghum will be offered."

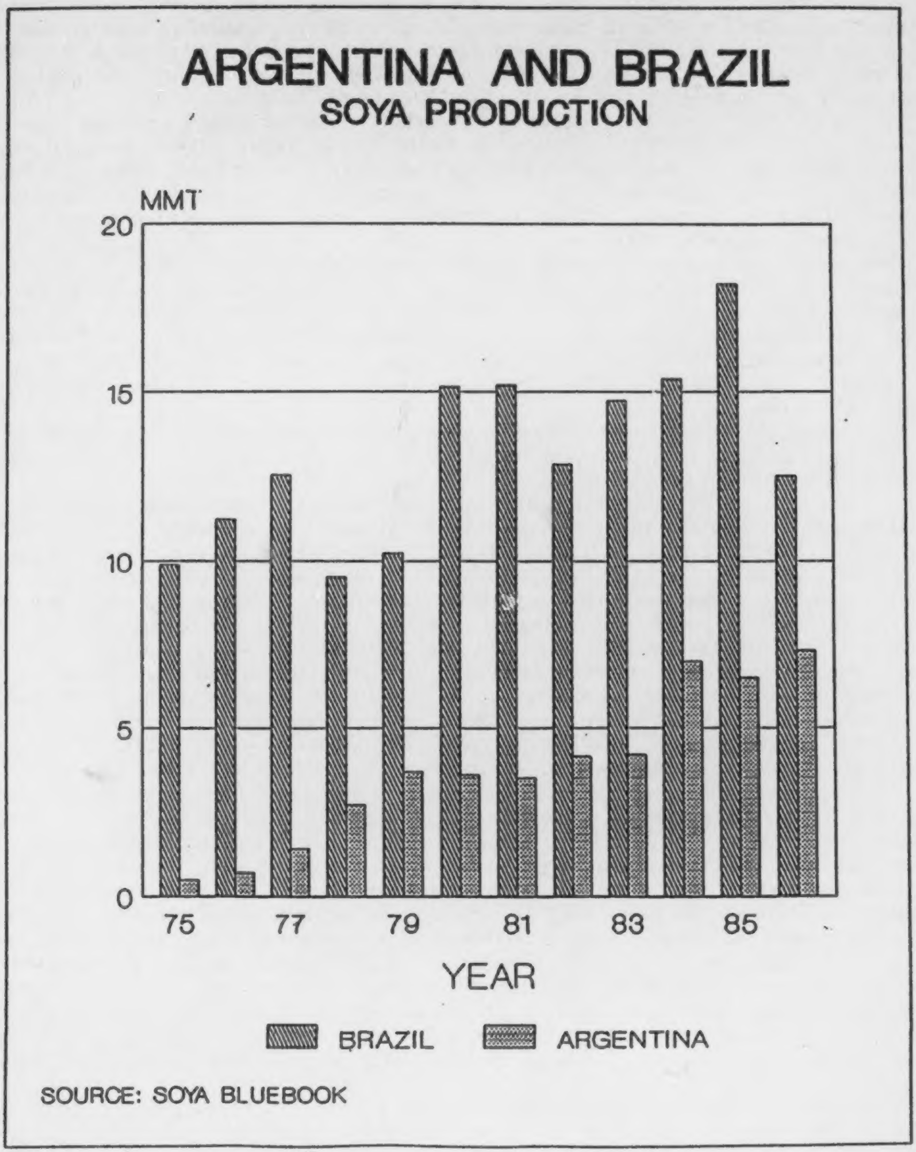
We urge this Committee to remain vigilant against such loans by the World Bank and other international lending agencies that promote expanded production and export of agricultural commodities in competition with our farmers. The Minnesota Soybean Growers Association believes it is not in the interest of the U.S. to help fund loans that increase production abroad of commodities exported by the U.S. and already in surplus on world markets, further depressing prices of these commodities. Encouraging such surplus production means farmers in the U.S. and South America alike will have to sell at prices below their real production costs.

Another major soybean trade challenge is to maintain and build demand in the European Community. About half of U.S. soybean exports are bought each year by the European Community as whole soybeans or soy products. Since 1962, the EC has granted us duty-free access to their market. The EC has now decided to increase its self-sufficiency to decrease it dependency on the U.S. and shift land out of other crops in surplus there. The EC is rapidly expanding its oilseed output (see chart) through the use of very high production subsidies—over $15/bu this year! EC soybean production has grown 231% in the past four years, from 34,000 mt in 1982 to 820,000 mt in 1986.

To further increase its oilseed production, the EC is now debating a new fats & oil tax to discourage consumption of soybean oil and soybean oil products within the Community. It is important that the U.S. government support American farmers by strongly opposing the fats & oil tax and taking necessary retaliatory action to prevent its adoption. The proposed tax as we understand it would be on all fats & oils consumed (except butter) at the rate of about $380/mt, or 20¢/lb. That's 125% of the U.S. price for soybean oil! This tax would raise millions of dollars annually within the Community to finance additional crop production, including oilseeds. Soybean farmers believe that adoption of this tax would violate the EC duty-free soybean bindings and the GATT.

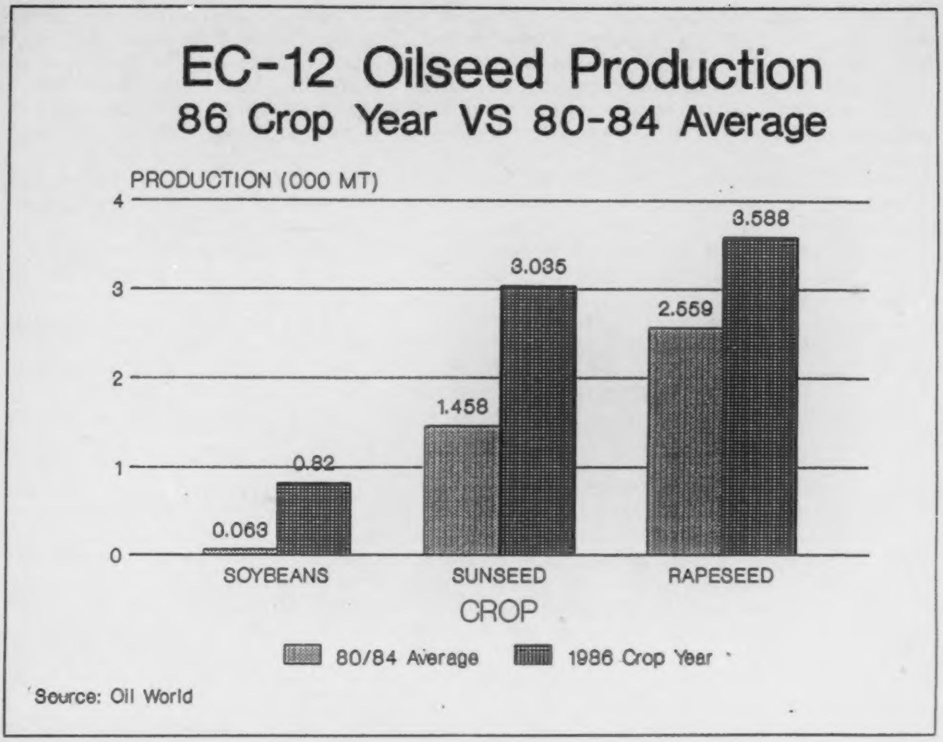
Mr. Chairman, Minnesota soybean farmers are working hard to meet and out-compete foreign producers of soybeans and soybean products. Part of the winning formula are the contributions we make through our checkoff program that help fund 400 soybean market development projects in 84 countries. We are also helping to fund development of new soy-based products to create more demand and match our tremendous production potential.

Together—with farmer commitment to competitiveness and building new markets, and a commitment by our government to work for reduced foreign subsidies, increased market share and restructured Latin debt—we can be ready to profit from the future.



ARGENTINA AND BRAZIL
SOYA PRODUCTION

SOURCE: SOYA BLUEBOOK



Source: Oil World

STATEMENT OF AL CHRISTOPHERSON, VICE PRESIDENT, MINNESOTA FARM BUREAU FEDERATION

Good afternoon, Mr. Chairman and members of the committee. My name is Al Christopherson. I am a cash grain farmer from Pennock (in western Minnesota), and vice-president of the Minnesota Farm Bureau Federation—which is a general farm organization of 32,000 families representing producers of all commodities. We are a part of the American Farm Bureau Federation, which has a membership of 3.3 million families in 49 states and Puerto Rico, and also represents growers of all commodities.

I appreciate the opportunity to appear before you today as you examine the agricultural trade situation.

American agriculture—perhaps better than any other sector of the economy—has long recognized the importance of trade to its well being. Over the five year period from 1981 to 1985, the U.S. exported roughly 60% of its wheat production, 58% of its soybeans, and 30% of its corn. Despite the decline in our farm exports and the resulting reduction in the farm trade surplus in recent years, U.S. agriculture remains heavily dependent on exports.

Trade legislation needs to attack the causes of current trade problems, not simply respond to the result. The result is the trade deficit. The causes include stagnant foreign economic growth, the U.S. budget deficit, foreign unfair trade practices and reduced U.S. competitiveness.

In the upcoming trade debates in Congress, arguments may claim that U.S. agriculture should also seek protection from imports, since our farm trade advantage has declined in recent years and "we are becoming dependent on foreign food." Farm Bureau does not hold such a view. Our trade advantage has unfortunately declined from $27 billion to $5 billion in the past five years. This $22 billion reduction is largely due to reduced exports which have fallen by around $18 billion, rather than increased imports.

We believe the focus of trade legislation must be expanding exports, but we will continue to oppose imports of products that compete unfairly in our market. Our trade laws need to be improved to deal with such unfair imports more quickly and in a more effective manner.

Farm Bureau believes that any trade bill should address the following general goals: first, it should be export-oriented rather than import-protectionist. It should aim at getting our own house in order in terms of removing existing barriers to U.S. competitiveness. It should strengthen our ability to respond to foreign unfair trade practices by making the trade complaint process more responsible and less costly to domestic producers and by reducing foreign policy influence over legitimate trade concerns.

It should promote market-oriented foreign economic development and address the problem of the enormous foreign debt burden in the countries that represent potential growth markets for the United States.

We further believe it should not contain specific commodity import restrictions that would result in retaliation against U.S. exports, particularly of agricultural products.

In recognizing that the trade problem for U.S. agriculture is declining exports, Congress took steps to reverse this situation with passage of the 1985 farm bill. For the first time in several decades, we have in place a more market-oriented farm program that is beginning to turn the export situation in a more positive direction.

It is also getting the attention of our world competitors. They are very aware of the direction we are taking, and they are concerned.

No longer is the United States providing a price umbrella that over-stimulates world production of our major export commodities. For these and other reasons, Farm Bureau opposes any changes in the farm program which call for massive acreage cuts or strict government controls on production.

The history books have shown that such actions have not worked in the past. As the United States cuts production, other nations increase theirs. Take, for example, the 1983 Payment-In-Kind program. American farmers voluntarily idled 78 million acres while foreign competitors increased plantings by 63 million acres.

We believe that proposals for mandatory acreage cutbacks and production controls would worsen the situation in agriculture, even though they may claim to increase farm prices.

Our organization's major goal is to increase net income for farmers. Higher commodity prices look like a great solution to the problem—but when the higher prices are only for a fraction of our traditional output, we haven't gained anything.

Mandatory controls would mean higher feed costs and increased competition for livestock and poultry producers, as grain producers get into the feeding business to utilize overproduction. High farm prices would discourage farm exports and require strict import controls to prevent foreign countries from flooding the U.S. with lower cost commodities. Further cutbacks in farm production would be crippling to rural businesses. And a quota system would have a severe effect on real estate values as ag land is taken out of production.

The claim that mandatory controls would cost taxpayers less is not true. Such proposals would actually cost additional billions in export subsidies if American farmers were simply to maintain their 1986 level of farm exports.

Yet perhaps our biggest concern is a philosophical one—should farmers be allowed to conduct their business as individuals or should the federal govenrment run it for them? Farmers, taxpayers and consumers should consider the federal budget and the past failed attempts by the government to manage agriculture. It's wishful thinking to expect that strict government controls on production and higher prices will ensure financial success for farmers.

Again, thank you for the opportunity to express our views on this issue.

Statement of Dave Frederickson, Minnesota State Senator From District 20

Mr. Chairman, members of the Committee, for the record I am Dave Frederickson, a farmer from Murdock, Minnesota. I have served as President of the Swift County Farmers Union. This fall I was elected to represent the people of District 20 as their state Senator.

I am pleased to be here today to express my support for the "Save the Family Farm Act" or similar legislation to restore profitability to agriculture by paying farmers a fair price for their commodities. I see no other plan which will put rural America on the road to recovery and ultimatley prosperity.

The current federal farm policy which was put in place in 1981 was designed to drive prices lower in hopes that U.S. farm exports would increase. Six years into this program, we can see this premise is not working.

The latest farm budget proposal by the Administration continues and speeds up this disturbing trend. The President's plan would cut the proposed $4.38 target price for wheat in 1987 to $3.20 in 1990. The corn target price would be cut from $3.03 per bushel to $2.21 during the same period.

The questions being posed by farmers today are legitimate in view of our export-oriented farm policy. "How cheap is grain going to have to get before exports pick up?"

The volume of U.S. agricultural exports peaked in 1981. From our record volume of 163.9 million metric tons in 1981, the USDA is estimating sales of just 116.5 million metric tons in 1987—a solid 30 percent drop.

The supply-demand situation currently facing United States farmers is dismal.

In December 1986, the USDA released estimates on export shipments for the current marketing year and carryover of corn into the 1987 harvest.

First, the USDA predicted current marketing year exports at 1.125 billion bushels. This is the lowest level of exports in 15 years. Next, the USDA predicted corn carryover at 5.8 billion bushels. If these estimates are correct and export demand remains stagnant, it will take more than five years to get rid of our 1986 inventory. (5.8 billion bushels divided by 1.125 billion bushels per year equals five years and one month.)

For wheat, current year export predictions are set at 975 million bushels. Even with last year's wheat crop being one of the smallest in recent history, it is expected the United States will have as much as 2.3 billion bushels in stocks as of mid 1987. In short, if American farmers could avoid adding any additional stocks to our carryover in 1987, it will take nearly two and one half years to eliminate our 1986 inventory. (2.3 billion in carryover divided by 975 million in projected 1987 exports equals almost 2.5 years.)

In my own 1,160-acre corn, soybean and wheat operation, I have approximately 120,000 bushels of corn on storage (four years of crop production). I have used all the available storage on my farm, rented extra bins from my landlords and this fall I had to let my machinery stand outside as I stored corn in the machine shed.

Last summer, wheat farmers were asked by USDA in a non-binding poll if they favored mandatory production controls to reduce wheat supplies and allow prices to rise to 125 percent of the cost of production.

In Minnesota 73 percent of the wheat farmers responding to the poll voted "yes." Nationwide, 54 percent voted "yes."

It is time to stop calling today's farm program "voluntary." As one farmer recently said, "The quickest way to bankruptcy is to not participate in the program. The second quickest way is to participate." The economics of the situation are forcing participation whether the program is good or bad.

The facts clearly demonstrate the immediate need for a new federal farm program. Minnesota Farmers Union has set forth four points which I feel are necessary to be included in a new farm program to return a fair income to family farmers. The plan includes the following points:

1. A new federal farm bill with a mandatory supply management program and loan rates set at cost of production plus a reasonable profit. A dairy base quota plan with increased support levels.
2. International discussions with leading agricultural producing countries on the problems of agricultural production and distribution.
3. Targeting of program benefits to small and medium-sized farmers based on the number of bushels and a limit on the total amount of CCC loans that any farmer could receive in one year.
4. Federal debt restructuring legislation to allow family farmers to maintain viable operations.

With the devastating effects the current policy has had on our farmers and rural communities, it is imperative that a new direction be set for agricultural policy.

During the past six years, thousands of Minnesota farmers have been forced out of business. Foreclosures, bankruptcies and forced liquidations have almost become the rule rather than the exception. Furthermore, even the experts at USDA concede there is nothing to indicate substantial increases in export value or volume are just around the corner. To add to the failure, by the end of 1988, eight years of Reagan farm policy will have cost as much as all other farm programs of the past.

I believe one of the most overlooked aspects of the Harkin bill is whether or not American farmers should have the right to vote on farm policy. I have yet to hear one reason why farmers shouldn't have that right to vote if the program they adopt costs less than the one currently in place.

I would like to thank you for the opportunity to testify. I will be happy to answer any questions you may have.

STATEMENT OF BURTON M. JOSEPH, VICE CHAIRMAN, MARTRADE LTD., MINNEAPOLIS, MN

It is a pleasure to provide this material for the Committee. These thoughts might have special pertinence in that my companies are a long-time participant in the American international grain and agricultural commodities trade. Further, I have had a special role over the last ten years as a member of the Agricultural Policy Advisory Committee (APAC) to the Secretary of Agriculture and the Special Trade Representative. I remember very well in 1983-1984, the vigorous debates that 15 or 20 of us, all members of the Committee, had with then Secretary Block and Ambassador Brock, who was Special Trade Rep at the time.

There were two schools of thought. First, a one-price system—to let U.S. agricultural commodity prices, through dramatically lower support and target levels, work their way down to world price levels, which would rebuild demand. The theory was that the domestic income decline from the lower prices would be made up by special payments of one type or another.

The second school of thought, which I supported, is the two-price level system—one price to recognize far lower world prices as a result of the huge build-up in agricultural production then hitting the world market—and a domestic price level at higher values to recognize the need to protect the infrastructure, not only for the farmer and his suppliers, but of rural America, now popularly called "Main Street". The effective export price level, recognizing world competition, would be ascertained by the trade exchanging information continuously with USDA. This very type of program worked so well during the late 60's and early 70's. The Department left it to the trade to quietly find the customer and advise it as to the right commodity and price level to make the sale. It worked so well, the U.S. gained and held predominant market share. The program was discontinued in 1972 when crop disasters in the Soviet Union and China raised prices so substantially there was no need for further export subsidy. Between 1972 and 1985 we apparently forgot how well the two-price program worked.

In our APAC policy discussions you are all aware that the two-price point of view did not prevail. The '85 Congress provided for dramatic reduction in support values following the theory that these new values would help the U.S. regain overseas markets.

Ironically, we now have the lower values as forecast, but have not regained the overseas markets, and even more ironic, because of this marketing failure, we have constructed a curiously complex new Export Enhancement Program (BICEP), well-known to you all. Not only hasn't the program worked well, but it's become a nightmare in cost and in offending friendly foreign countries. The current program is wrong in concept and in execution. Let's talk about this briefly.

The concept—BICEP assumes that our competitors in agricultural grain, oilseeds and foodstuffs supplies are going to lie down and play dead. Believe me, those countries that inherited our markets as a result of our foolish embargo policies of the 70's and 80's, will not go away easily or voluntarily—especially the three or four with important farm lobbies in the European Economic Community, who are determined to maintain their own farm and rural social structure with the use of dramatic export subsidy programs. Let me quickly quote from some recent Reuter clips, demonstrating what the EEC is doing with export subsidies during the last few days. The EEC Commission granted, on January 29th, export licenses for 140,000 tons of soft wheat at a maximum rebate of 135 European currency units per ton, about 150 U.S. dollars. On that same date, it granted export licenses for 100,000 tons of barley (equivalent to corn in feed value) at 138 ECU's per metric ton, about 154 U.S. dollars. Last Thursday, French traders sold 1,600,000 tons to the Soviets at about $95 per ton after collecting a $163 subsidy. We have permitted competing countries and competing groups of countries to claim a very high percentage of our market share for export. Of course, they now claim that share is rightfully theirs.

Obviously, we can't go on this way—a huge debtor nation, horrible trade figures, farm exports running way behind, stubborn unemployment, unbelievably high rural social costs! How do we in agriculture help find the cure? By proper execution of a subsidy program.

We will not succeed by a pious request for fair play. The other countries will play us for patsies by their definition of what is moral, if they can get away with it. Let's amend BICEP. It is badly flawed. The USDA has gone into the business of trying to pick out a country in advance, name the product to be shipped to that country, and then invite the subsidy to win the business. It is pathetic to think that the Department thought they could sell the Soviets our wheat at a pre-advertised discount of $15 per ton. I would urge the Committee to persuade the Department to return to the technique that worked so well up to 1972—permit the trade, with its incredible commercial intelligence and communications to pick out the country that they can very quietly and privately sell. In other words, a generic subsidy. Let's call it the "Green Dollar Certificate". We do not have the time this afternoon to review a separate paper on the Green Dollar Program. I have it here available to you. I hope you find it useful. Senator Boschwitz is already quite familiar with it.

A second idea—it's reported that the U.S. agricultural support system has cost on the order of 27 billion dollars this year, about twice original budget calculations. Let's establish an Agricultural Development Fund. For example purposes, let's say it's 15 billion dollars. Let's set aside 4 billion dollars out of the 15 billion for agricultural export subsidies, using the Green Dollar Certificates technique mentioned earlier. By the way, that 4 billion dollars just about matches the Common Market's current agricultural export subsidies. The balance of the money, 11 billion dollars, is dedicated to domestic support and income programs on an allocated basis; that is periodic payments are made across the strata of all programs with the payees knowing that all payments will be pro-rated so that the last payment of the fiscal year will use up the Agricultural Development Fund; not too dissimilar to the technique used by the Canadian Wheat Board.

Another idea—let this Senate Agriculture Committee—enlist and enroll a small effective trade advisory group. There are a lot of brains and political clout available to you. This type of voluntary committee has been helpful to the USDA. I think the Congress should do no less.

We want a smart, aggressive export system. Give this great production factory a chance to keep its unit cost at a minimum and consequently, an opportunity to reduce government payments.

Let me suggest again, there are ways out—there are methods. There are techniques that will stabilize American rural life. Let's have no more repeats of a heartbreaking experience I had recently, where a distressed man came to my office and said, "I'm out of business." He was from a fine rural community west of Minneapolis. Was he a farmer? No. An implement dealer? No. Seed merchant or fertilizer merchant? No he was a pastor of a church. His membership had declined—his church was closed. For the sake of these churches and rural hospitals and rural schools, not just the agribusiness community, but the total American economic community, we must put a stop to this. There is a way—we need your wisdom and your leadership to help us gain these goals.

[The following material was furnished by Mr. Joseph:]

FRENCH TRADERS CLINCH MASSIVE SOVIET GRAIN DEAL

(By Gerrard Raven)

BRUSSELS, Feb. 5.—French traders today clinched a huge grain sale to the Soviet Union thanks to massive export subsidies provided from European Community, EC, funds, EC Executive Commission sources said.

They said Moscow will pay around 85 European currency units (95 DLRS) a tonne for around 1.6 MLN tonnes of high-quality wheat, suitable for baking.

The traders will receive an export subsidy of just over 146 ECUS (163 DLRS) from EC coffers to enable them to make the sale profitable.

EC GRANTS WHEAT, BARLEY EXPORT LICENCES—TRADE

PARIS, Jan. 29.—The EC Commission granted export licences at todays tender for 140,000 tonnes of free market bread-making soft wheat at a maximum rebate of 135 European currency units (ECUS) per tonne and 925,000 tonnes of feed wheat at a maximum rebate of 132.75 ECUS, trade sources here said.

It also granted export licences for 100,000 tonnes of barley at 138 ECUS, they added.

The sources said the licences were awarded to French operators.

EC SEES GRAINS STOCKS AT 100 MLN TONNES BY 1993

WEST BERLIN, Jan. 29.—The European Community grain surplus will have reached around 100 MLN tonnes by 1993 and is likely to rise further if policy changes are not made, EC Agriculture Commissioner Frans Andriessen said.

Andriessen said in a speech at the official opening of the Green Week International Agricultural Fair that there was little hope for improvement at the moment.

"Within one year world market prices for wheat have declined by about 50 pct. to protect our exports big financial sacrifices will have to be made," he said.

The EC would also benefit from a firmer dollar, he said.

EC CEREAL EXPORTS LITTLE CHANGED IN 1986/87

BRUSSELS, Feb. 6.—European Community [EC] cereals exports in the 1986/87 year begun last July 1 are around 28 MLN tonnes, little changed from the previous year, EC Commission officials said.

The Export Campaign does not officially finish until March 25, but the officials said there are unlikely to be substantial further exports following a decision yesterday to suspend exports from intervention stores for an indefinite period.

The officials said the cost of export restitutions during the current year will be over 3.5 billion European currency units (ECUS) compared with less than two billion a year earlier.

The officials said this years cereals exports include over 15 MLN tonnes of soft wheat, 10 MLN tonnes of barley, 1.16 MLN tonnes of maize and 1.81 MLN tonnes of hard wheat.

Of the wheat and barely, nearly six MLN tonnes came out of intervention stores, they said, without giving a detailed breakdown.

About 11.4 MLN tonnes of cereals are at present in intervention stores, down from almost 13 MLN at the end of last year, the sources added. Present stocks include 6.7 MLN tonnes of soft wheat, 1.1 MLN of hard wheat, 2.3 MLN of barley and 1.2 MLN of rye.

SENATOR SAYS U.S. RETALIATE ON TRADE

(By Jacqueline Frank)

WASHINGTON, Jan. 30.—The chairman of the Senate Finance Committee, Sen. Lloyd Bentsen, said the United States should retaliate against unfair foreign trade practices by other countries.

In an interview, Bentsen told Reuters, "I think you have to retaliate. I don't think they take you seriously unless when you find someone is, subjecting you to unfair trade practices you have to retaliate."

Bentsen, a Texas Democrat, will be one of the most influential players in congressional efforts this year to pass laws intended to open foreign markets to more U.S. products and stem the growth of the U.S. trade deficit.

The U.S. trade deficit was a record 169.8 billion dollars in 1986.

To: Richard Lyng, Secretary, U.S. Department of Agriculture.
From: Burton M. Joseph, member, Agricultural Policy Advisory Committee on Trade.
Date: June 12, 1986.
Subject: The Green Dollar Export Certificate—an export trade program which will encourage foreign buyers to choose American agricultural products in preference to products of competing countries

HOW IT WORKS

Every exporter of a unit of American agriculture will receive from U.S.D.A. a Green Dollar Certificate. The Certificate will specify how many Green Dollars or parts of Green Dollars each unit of export has earned for the exporter on the particular export shipment. The number of Green Dollars or parts of Green Dollars to be earned by the exporter on a particular unit of export may be adjusted by U.S.D.A. to encourage or discourage the export of a specific eligible commodity.

The exporter may then use the Green Dollar Certificate or any part of it, within a time limit, to apply and credit against purchased value of stocks of agricultural goods held by U.S.D.A. in U.S.D.A.'s warehouses or support programs.

The value of goods held by U.S.D.A. in its warehouses or support programs will be adjusted periodically to reflect world values but only for Green Dollar Certificate redemption. The goods selected by the holder of the Green Dollar Certificate may be sold domestically (at option of U.S.D.A.) or for certain for export. If sold for export, and if an eligible commodity, the goods will again be eligible to earn Green Dollar Certificates and the cycle will start anew.

DEFINITIONS

Exporter.—A party who presents to U.S.D.A. a clean, on-board ocean Bill of Lading which represents proof of loading aboard an oceangoing vessel (or laker, highway truck, railway car or barge bound for an export point) of a certain, definite number of units of goods eligible under U.S.D.A criteria to earn Green Dollar Certificates.

Units of Export.—Short tons (or metric tonnes), pounds, bales, cwts, cartons or other weight or volume units as determined by U.S.D.A.

Eligible Commodity.—Those commodities listed by U.S.D.A. to be eligible to earn Green Dollars.

Warehouse of Support Program U.S.D.A. Stocks.—A list of commodities owned or controlled by U.S.D.A. against which Green Dollar Certificates may be credited. These stocks may or may not be Eligible Commodities.

Green Dollar Certificate.—A dated negotiable issued and recorded by U.S.D.A. of dollar value to document the export of a certain and known quantity of units of an Eligible Commodity. The Certificate may be bought and sold commercially.

Example: Yellow corn has been selected by U.S.D.A. as an Eligible Commodity to earn Green Dollars. U.S.D.A. has set a Green Dollar Certificate value of $7.14 for each short ton (2,000 lbs.) (20¢ per bushel for this example) on #2 Yellow Corn. Proof of export (e.g. clean on-board Bill of Lading) has been presented by Exporter #1. With proof of export of 10,000 short tons of #2 Yellow Corn, Exporter #1 receives from U.S.D.A. a Green Dollar Certificate (e.g. #1210) with a face value of $71,400 and with an expiration date 180 days from date of export on the B/L.

One hundred twenty days after date of export the Exporter #1 sells Certificate #1210 to a second exporter for $80,000. (The higher price represents the value, if any, for 120 days of carrying charges and perhaps a change by U.S.D.A. in the number of Green Dollars the U.S.D.A. values a unit of export for Yellow Corn.) One hundred twenty five days after export the second exporter buys 50,000 tons of #2 Hard Winter Wheat from CCC stocks at the per unit value of say, $4.50 per bushel, equal to $150 per ton, (with a Green Dollar Certificate value set by U.S.D.A. at 10¢ per bushel, or $3.33 per short ton) established for that particular warehouse area for CCC #2 HRW less a discount of $71,400, the value of the Green Dollar Certificate turned in (number C–1210).

With the purchase of #2 HRW, Exporter #2 is issued Green Dollar Certificate (e.g. #3460) for $166,500 ($3.33 (50,000 tons), good for 180 days to be used by Exporter #2 as he chooses. He chooses to buy CCC cheese which is listed and priced as a Warehouse Program U.S.D.A. Stocks item as well as being an Eligible Commodity, using Certificate #3460 for a $166,500 discount from the U.S.D.A. export sale price for cheese.

Since U.S.D.A. is eager to move cheese from storage into export trade, they issue to Exporter #2 a new Green Dollar Certificate at an attractive Green Dollar rate to encourage the use of cheese for export trade.

ADVANTAGES OF GREEN DOLLAR AGRICULTURAL TRADE

1. Green currency units are widely used throughout the world to measure trade in ag goods, so imagery in world ag trade should be good.
2. Enables U.S.D.A. to preselect a wide range of goods for export credit including raw grains, oilseeds, semi-processed and processed commodities for price credit with a valid Green Dollar Certificate. This U.S.D.A. commodity selection process should encourage wide U.S. political support for the Green Dollar export program.
3. Enables U.S.D.A. to target those commodities it wishes to favor for export from storage by assigning attractive Green Dollar rates to slow moving or heavily stocked commodities.
4. No dollars are exchanged by U.S.D.A. Green Dollar Certificates will trade in the marketplace, giving U.S.D.A. personnel some idea as to current value. The face value of outstanding certificates will be the total discount obligation of U.S.D.A.
5. The Green Dollar Export Program is superior to, and an answer to, outright subsidies now being used by the EEC and others. It is superior because it will have a round-robin multiplier effect, encouraging exporters world-wide to use American agricultural commodities as one ag export transaction will earn Green Dollar credits for further exports.
6. U.S.D.A will have a tool of relative simplicity and great flexibility to meet world commodity supply/demand conditions. Competing countries will quickly appreciate this and it is likely they will exercise more discipline over their own agricultural commodity production and export programs.

7. Potential savings to U.S.D.A. for warehousing and support charges appear likely. These savings will be in ratio to the values assigned to Green Dollar rates for any specific commodity to encourage movement.

8. U.S.D.A., by the nature of commercial judgements to be used by the trade, will avoid second guessing and criticism of selected cash markets as per the current "Export Enhancement Program".

9. Fortunately, personnel are currently available within U.S.D.A. to manage and monitor this program as a result of the experience with the current "Export Enhancement Program".

10. The premise of the Green Dollar Export Certificate program will be popular politically within the farm community, as it will slow down, and perhaps stop the decline in domestic farm commodity prices which apparently are still not low enough to recapture export markets or to gain new overseas markets. There will be no need for the "market payback loan" debate.

11. The United States government through the U.S.D.A., will not be forced to define countries as customers or particular commodities to be sold. The choice of country and commodity will be left to the worldwide commodity trade.

12 The Green Dollar Export Certificate Program can be kept in place and continued indefinitely with product management in the hands of U.S.D.A. A change in listing and a change in the value of each Green Dollar Certificate to be earned against an Eligible Commodity is at the discretion of U.S.D.A. This program can be passed on from administration to administration.

DISADVANTAGES OF GREEN DOLLAR AGRICULTURAL TRADE

1. Competing countries will claim that the Green Dollar export program is just another name for export subsidy.

2. Will the Green Dollar program require legislation?

3. Will U.S.D.A. management people resist a change in concept from the current Export Enhancement Program to the Green Dollar Export Certificate Program?

STATEMENT OF RUSSELL J. BRAGG, GROUP VICE PRESIDENT, THE PILLSBURY CO.

Mr. Chairman, my name is Russell J. Bragg, Group Vice President, Grain Merchandising, of the Pillsbury Company, with headquarters here in Minneapolis. On behalf of the Pillsbury Company, I thank you for the opportunity to express our views of farm policy.

Our views can be summarized simply: we believe the long-term best interests of all associated with agriculture are best served in a market where production and consumption decisions are made on the basis of market-clearing prices while direct government intervention in the marketplace is minimized. National policy goals for supporting farmers' incomes are best achieved through direct programs, separate from commodity markets.

As you well know, there are major problems in our agricultural economy today. Farm prices have declined, grain stocks have grown to unmanageable proportions, U.S. grain exports have plunged, and farm program spending has surged to a level 10 times higher than just a few years ago. Yet, the huge expenditure is not improving the economic condition of our farm economy. Farmers are increasingly relying on government subsidies for their income, their export markets are being lost, acreage is idled and farm asset values are dropping.

The causes of the current crisis are diverse and complex. Contributing factors include:

International economics, that drove up the value of the U.S. dollar in the late 1970's, was a factor in the loss of U.S. export market share.

The lack of economic growth in underdeveloped export markets detracted from those countries' ability to buy grain in the world market.

The need for foreign exchange earnings by many developing countries caused them to develop their own agricultural sectors and to begin to export raw agricultural products.

High subsidies in the European Community resulted in large grain production increases in that region and the EEC because a net grain exporter rather than an importer of grain as they had been for so many years.

China and India, also responding to the economic incentives of higher world grain prices, have transitioned from grain importers to grain exporters in recent years.

The experience in the world grain market over the past 15 years illustrates an important fact: that is, the world grain market responds to price incentives. As prices rise, more is produced and utilization is discouraged. This system generally works well unless price signals are distorted by government intervention.

It should be no surprise to us now that year-after-year increases in U.S. farm support prices through the 1970's and the early 1980's led to world-wide surpluses of grain. Through the early 1980's, the U.S. accounted for a majority of the world's grain trade, reaching 59 percent in 1979/80. Even now, though reduced, the U.S. has a relatively large share of world trade at about 35 percent. U.S. support prices set the tone for the world grain market. Our closest competitors price their grain off the U.S. market.

U.S. support prices, therefore, serve as a price umbrella, under which our competitors operate. As U.S. price support levels rose through the early 1980's, our competitors expanded production, our customers cut back on imports from the U.S. and carryover stocks grew in the U.S. and the world. However, most of our competitors are not willing to hold surplus stocks. Their objective is to move their production onto the market at whatever discount from the U.S. price is necessary. The U.S. ends up holding the majority of the world's excess production; and because of the structure of our farm program, the U.S. government ends up with ownership. As the U.S. attempts to control government-owned stocks, it also restricts production—the only country in the world to do so.

This cycle was partially broken with the 1985 farm bill which recognized the need for lower world grain prices to help clear the market and to make the U.S. more competitive again. Unfortunately, the world will not return to the old market pattern of the late 1970's. Permanent structural change has occurred. Many of the traditional grain importers have invested in their agricultural sectors to become self-sufficient, and, as pointed out earlier, many even became exporters such as India and China.

The EEC now has much the same problem as the U.S.—high price supports and large stocks. The EEC was once a major market for U.S. grain. Now they are one of our major competitors.

The USSR remains as a major grain importer in the world, but their recent innovation and investment in agriculture suggests they intend to be more self sufficient in the future.

The Pillsbury Company was an exporter of grain in the early 1980's, but no more. We have downscaled that business and will not likely return.

So how must farm policy be adjusted to improve our ailing farm economy? In our view, the overall direction should be to reduce the role of government in agricultural commodity markets. We do not believe large increases in price supports and production controls are the answer. Production restriction and high support prices are two components of past farm policies that have contributed to the current crisis.

Producers and consumers must make their production and consumption decisions based on the prices they receive or pay in the marketplace, in order to have an efficient market, free of unwanted surpluses. The Federal government, in all its wisdom, does not have the ability to determine optimal production, utilization, trade and price levels for agricultural commodities. The Federal government may determine that there should be a national policy to support farmers' incomes. If this is our goal, it can be accomplished much more effectively through means other than commodity market intervention.

We feel very strongly that supply control programs are not in the best long-term interests of U.S. agriculture. Supply control proposals currently before Congress will not accomplish their stated objectives of increasing farm incomes, reducing government costs, but having little impact on consumer food prices. These plans would further accelerate the exodus of individuals from the farm and contribute to the decline of the family farm.

Sharply higher crop support prices create major incentives to avoid supply-control provisions. Higher price supports will also result in reduced demand for those commodities from both foreign customers and domestic users. Import restrictions would be required to prevent foreign grains from moving north on the Mississippi.

The supply control limitation of a 35 percent maximum acreage reduction provided for in proposed supply-control legislation will not be sufficient to control surpluses with support prices at those high levels. Current programs already provide for acreage reductions nearly this large and yet surplus stocks continue to grow.

The corn market illustrates the consequences for farmers of mandatory supply controls. In the 1985/86 crop year, for example, U.S. corn exports were 1.2 billion bushels and domestic corn usage was 5.3 billion bushels. Total usage was 6.5 billion bushels. With an average U.S. corn yield of 120 bushels per acre, current usage could be met with only 54.2 million acres, about two-thirds of the U.S. corn base acreage.

This is 15 million acres fewer than were harvested in 1986 when a 20 percent acreage reduction program was in effect and 21 million acres fewer than were harvested in 1985.

With much higher support prices, total usage will decline from 6.5 billion bushels causing even more land to be idled and more farmers to leave the farm. To put the corn production in balance with utilization at current rates would require removing the equivalent of the entire corn crops of Iowa and Nebraska combined.

If usage declined another 10–15 percent due to the higher support prices, the entire corn acreage of Minnesota would also have to be idled. Clearly the U.S. farm sector does not need as many farmers to produce less than 54 million acres as it does to harvest 75 million acres of corn. Does this save the family farm? The impact on the farm supply and marketing sectors would also be devastating.

Consumers will not vote in a supply control referendum, but they will be the ones to pay with higher foods costs. According to analysis by the Food and Agricultural Policy Research Institute, consumer food expenditures under a supply control program would be $300 billion higher than current programs over the next 9 years.

The increase in dairy support prices alone would raise consumer dairy product costs by $10 billion per year by 1990–91. Livestock feeding costs will rise nearly 50 percent under the supply control program. If U.S. livestock producers pass their increased costs on to consumers, meat prices would have to rise at least 25 percent or another $10 billion per year. Hamburger prices would rise about 25 cents per pound and choice steak prices would rise about 60 cents per lb. Meat consumption would decline. Clearly this program does not benefit American consumers who will pay $30 billion or more per year for food by 1990 and over $60 billion more per year by 1995. Particularly hard hit will be lower income consumers and the elderly, who typically spend a higher percentage of their incomes on food.

The primary message that we would like to leave with you today, Mr. Chairman, is this:

We believe the long-term best interest of all associated with U.S. agriculture is for a market where production and consumption decisions are made by farmers and consumers on the basis of market-clearing prices. This suggests market-clearing loan rates, if a loan program is necessary at all, and elimination of the current target price system that gives farmers the wrong signal to produce more when less is needed. Government intervention in market pricing must be reduced for an efficient market to operate.

A major change like this in farm programs would obviously require an alternative mechanism for supporting farmers' incomes during a transition period until surplus stocks are drawn down and market prices reach an equilibrium level, which will be at profitable levels for farmers. There are many possible formulas, such as freezing benefits at current levels for each producer, then phasing them down over a number of years. There are many modifications to such a formula which would achieve overall national policy goals for supporting farm income during the transition.

Mr. Chairman, we firmly believe the best long-term solution to the current farm crisis is for markets where prices are not distorted by the government. Policy goals for farm income support, conservation, and rural economic development are best implemented directly rather than through market intervention. Again, thank you for the opportunity for us to share our views with you and this committee.

STATEMENT OF VAUGHN SINCLAIR, PRESIDENT AND GENERAL MANAGER, WATONWAN FARM SERVICE CO., ST. JAMES, MN

I am Vaughn Sinclair, president and general manager of Watonwan Farm Service, Co., St. James, MN., a farmer cooperative organization located in one of the most productive areas of the Corn Belt.

I am pleased that you would come here today, to hear us—to show your concern.

Chairman Leahy, members of the committee, Senator Boschwitz—I wish to take my short time today to discuss with you some of the problems and opportunities involved with the infrastructure of agriculture as it relates to a local economy, although I have much personal knowledge as on the national scene as well thru my association on the board of directors of Farmland Industries, Inc. (one of the largest fertilizer producers and distributors of AG chemicals and petroleum products), I want specifically to relate to you some of the experiences of the past four years—a time when one of the "buzz words" of management principles in the AG industry has been "down sizing."

We operate a highly successful business involved with supplying inputs to farm people—feed, seed, fertilizer, agricultural chemicals, petroleum and grain marketing, and recently more specific handling and storage of grain for the C.C.C. Our volume of fertilizer during these last four years has dropped from near 16,000 tons to 12,000 tons while we, in fact, feel we have increased market shares. Fuel volume has dropped each year. Less chemicals are being used—with more and more acres being idled. Grain merchandising, which peaked in 1983 was reduced to less than one-half that amount in 1986, from near 10 million bu. to less than 4 million bu. This past year—while storage and handling of C.C.C. stocks has increased tremendously, we added 1,500,000 bushels of storage in 1986 to bring our total licensed capacity to 5,650,000 bushels.

We, as local warehousemen, cannot afford more storage which does not move thru the system on a scheduled basis—due to problems of maintaining quality. Onfarm storage is causing serious quality problems.

In 1980 our full-time equivalent employment number was 56 employees. Today we have 44 full-time equivalents—more than 20% reduction in employment. This in a very successful business—other businesses in our area have downsized even more because all business and industry in rural America seem to be AG related.

There has been a significant reduction of assets thru sale and disposition. The restructuring of agricultural debt has been taking place at an accelerated rate thru 1984-85-86. This has caused serious problems for rural commercial banks—causing large charge-offs and critical exams by F.D.I.C.—large losses, of course, by farm credit services (FLBA and PCA)—and in organizations like our own, nearly $1 million of forgiveness. Rural America has suffered much pain. Farmer-producers have experienced much humiliation. Many large fertilizer manufacturers have gone bankrupt and small town merchants have closed their businesses.

Our problems in rural America are improving right now—1986 was a year of progress—albeit very slow. One of the significant contributors is the "breath of fresh air", which has come about with the attitude and culture of the farm credit services in this district with the arrival of Larry Biegler as its C.E.O. He has made a very serious effort to get the "meter running" on non-performing loans—while keeping qualified, non-adversarial, honest, good management, hard-working farm producers in business. It has added a degree of optimism back in our communities. The 1985 farm bill has also contributed immensely in allowing farm people to restructure for the future.

Now, our approach to world trade must be aggressively pursued. Because after our major input industries, have downsized and are providing inputs at drastically reduced costs—we are in fact close to being highly competitive in world market prices with grain and other food products.

The seriousness of our situation is that we cannot expect the agricultural producers, the one U.S. industry where we have the technology, the expertise, and the quality productive capacity to be highly competitive in world markets, to perform at near 50% of their productive capacity. We cannot afford to ask our farmers to "downsize" to a point where they do not have incentive to produce at a reasonable capacity.

If we are to produce for domestic consumption only—we will soon forfeit our advantages of production capabilities to foreign entities and we will export more and more jobs and the restructuring which we have just gone thru—painful as it was—will begin all over again and the problems of rural America, farmers and small industry of mid-America, and large major industries, while now beginning to improve—will enter a new era of communications, foreclosures, school abandonments, closing of churches, unemployment and business failures.

We desperately need to address a fair trade policy which allows our agricultural industry to perform at economic rates which will benefit all of mankind.

Thank you for the opportunity to appear and testify today, I have tremendous faith in our system.

I welcome your questions or comments.

MINNESOTA PORK PRODUCERS ASSOCIATION,
Albert Lea, MN, February 11, 1987.

Hon. PATRICK LEAHY,
Chairman, Committee on Agriculture, U.S. Senate,
Washington, DC.

DEAR SENATOR LEAHY: The members of the Minnesota Pork Producers Association respectfully request this written testimony be included, as per prior agreement, in the record of the field hearing of February 9, 1987 on the subject of trade and exports.

We appreciate this opportunity to participate and share with the committee our position and concerns.

The nearly nine thousand members of the Minnesota Pork Producers Association realize the importance of government issues and believe in government involvement. We would be pleased to participate again on this or any other topic.

Sincerely,

DONALD E. PAULSON, *Executive Director.*

STATEMENT OF THE MINNESOTA PORK PRODUCERS ASSOCIATION

The major concern of Minnesota's pork producers is subsidized hogs and pork products that flow across the U.S./Canadian border. Minnesota is, of course, a border state so Minnesota hog farmers are more affected by Canadian imports than most. The consistent and verifiable pattern of federal and provincial subsidies takes money out of the pockets of hog producers here in Minnesota and the 43 other states that have a hog industry.

There is no need to acquaint the members of the Senate with the consequences of reductions in income in these troubled times.

When the International Trade Commission and the Department of Commerce found that subsidies on live hogs did exist, a countervailing duty was established to compensate for that injury. Live hogs imported from Canada dropped 60%. However, the ITC divided hogs and pork, so Canada is now slaughtering more hogs and the importation of fresh, chilled and frozen pork has increased by about 18%. So, our industry continues to suffer from subsidized foreign competition.

The single continuous line of production from hogs to pork is much more tightly defined in two pieces of legislation. H.R. 3 and S. 399 both would amend the Tariff Act of 1930 so that countervailing duties would recognize that hogs and fresh pork are the same. The support of the Senate Agriculture Committee in the passage of our legislation would help not only the pocketbooks of America's farmers, but their morale as well. It would show that the federal government is not always as huge and cumbersome as it is sometimes perceived. It would show that an average farmer in America can count on his or her government to make sure American farmers can compete with foreign farmers on a fair and equal basis.

That same sense of fairness and equality must extend to non-tariff trade barriers also. Two examples of which are the 30 day quarantine Canada imposed on live hogs shipped into Canada and the double standard for inspections of plants that want to ship meat into the E.E.C.

Canada requires a 30 day quarantine of American hogs going into their country. They say that they are psuedorabies free and they don't want to import it from us. We feel this is a non-tariff trade barrier since no hogs along the approximately 450 mile Minnesota/Canadian border know where the line is and hogs get psuedorabies from other hogs.

The E.E.C. also has non-tariff trade barriers. The community has two different sets of meat inspection and handling standards. One for plants inside the community and another, more difficult to comply with, for plants outside the community.

We know that the Senate Agriculture Committee is working closely with Trade Ambassador Clayton Yeutter so that he and his team can be as effective as possible during the GATT talks being held in Uraguay. The Minnesota Pork Producers Association supports and applauds your work with Ambassador Yeutter. We are confident that he will represent our best interests in areas of tariff and non-tariff trade barriers.

The Minnesota Pork Producers Association appreciates the opportunity to participate in you field hearing. We applaud your taking Congress "on the road" to the people. It shows a concern and sense of appreciation for the problems of rural America that we hope turn into a tidal wave of legislative support for the programs needed to guarantee that America will always have a plentiful supply of nutritious and reasonably priced food for all Americans.

STATEMENT OF ROSS H. RASMUSSEN, HOOPER, NE

WORLD GRAIN MARKET PLAN

Each grain producing nation would provide a two-price market system: the domestic market and the sale of surplus grain into the world market. It can be expected that grain producing nations would prevent low cost world grain to enter into their borders and destroy their protected respective markets. However, they should be able to buy from this world market if necessary. This plan would allow the United States to produce with limited acreage controls and require only limited national budget costs.

A National Board with authority equal to the Federal Reserve Board with interest rates could control the market supply of grain for the United States and thus its per bushel price. This plan would provide the farmer with a fair income from the market place. Grain sold into the world market would provide additional income and also improve our nations balance of trade.

This world has a world market for oil, steel, gold, silver, etc. There is no reason we cannot have a world market for grain. The United States farmer will once again be No. 1. We cannot compete with the price of surplus grain from other nations.

[From Fremont Tribune, Dec. 25, 1986]

FACE IT, FARMERS IN REAL TROUBLE

(By Ross H. Rasmussen)

The Rural Electric Nebraskan, December 1986 issue, reports that there were 400,000 fewer people living on farms in 1985 than in 1984.

This reduces the figure of 2.4 percent of the population to 2.2 percent. In 1920, this figure was 30.2 percent; by 1950 it was 15.3 percent. The U.S. Census Bureau reports that the recent reduction is due to financial stress faced by the farm sector. The majority of financially troubled farms (60 percent) are in the Midwest. Midwest area bankers in a 1986 survey reported that 4.4 percent of the farm business in their areas liquidated for financial reasons during the previous six months, a rate they considered four times normal.

Farm liquidations due to financial stress continued at a 12-month pace of 7 percent, a rate that was 3.5 times normal. The bankers estimated that 7.4 percent of the farmers in their areas had sold part of their capital assets during the previous 12 months. The above facts establish that there is a serious farm crisis.

In 1933, when FDR became president, he closed the banks, then opened strong select banks guaranteeing deposits and created the Federal Reserve Board to control the supply of money, and thus interest rates.

This president also provided a government loan price for grain. Corn could be sealed for (as I can remember) about 66 cents per bushel. The market price at this time was 10 cents per bushel. With this money, the farmers could plant another crop. In 1933, it was difficult to borrow money. So much corn was sealed that the supply of corn on the open market was scarce and it reached $1 per bushel that fall.

This policy of the government controlling the supply of grain on the open market and thus its market value continued until the present administration decided to create a "new policy for agriculture." The present policy, starting in 1980, is essentially no controls for production and also reduces the support price even below the cost of production.

This policy is a disaster for all those farmers except those who have no debts (interest and principal payments) or those who have another source of income. It is a matter of time, depending upon financial reserves, etc., as to how long many farmers can continue to operate producing grain below the cost of production.

The city cousin says, "Why do farmers continue to plant crops? The answer is: Planting the crop minimizes the loss. Taxes, interest and maintaining unfarmed land all continue whether the land is farmed or not.

The city cousin says, "Plant a new or alternative crop." The answer is: One can't plant a new crop unless he first has found a profitable market. A new crop represents new and different machinery, new costs for which added debts must be realized. The question is, is it worth the risk?

The city cousin says, "Don't buy such high-cost machinery." The answer is: Those who bought this expensive machinery and cut production costs are today's survivors.

The greatest unanswered question is: Why is the subject of the farm crisis an issue which is placed in the closet? Maybe the answer is, as University of Nebraska President Ronald Roskens speaking at Scribner states, that there is danger of excess "down-in-the-mouth attitude" during the present downturn of the state's economy.

The financial institutions, the real estate companies and the cities are working hard for new industry. They desire to espouse "All is OK" even when they know that this may not be the true story, especially for Nebraska's rural population.

The farmer should have the right and a well-planned government program to control his grain production. Yes, food costs will increase moderately and they should.

Farmers—2.2 percent of the population—should not be required to subsidize 97.8 percent of our population with food produced at less than the cost of production. Keeping government out of agriculture is unfair to our American farmers. Government must help if production is to be controlled and help in securing foreign sales.

It is unfair for the public to blame the farmer for his problems. The facts are that the problem was created at the national level with an objective to create a surplus of grain and thus provide cheap food and reduce the cost of living for the consumer.

Our nation has the ability and knowledge to correct this problem if it so desires. The slogan "Keep Government Out of Agriculture" is designed to exploit the farmer and place the blame where it does not belong.

STATEMENT OF "GROUNDSWELL," LAMBERTON, MN, SUBMITTED BY DELORES SWOBODA

Groundswell is here today, to show our concern with the problems in Agriculture, and to pass on our hopes that the Legislature in Washington, D.C. will move to correct the problem, by passing and enacting the "Save the Family Farm Act" immediately. We are unhappy today, that finally a Hearing such as this is scheduled in our great state of Minnesota, only to discover that very few farmers will be allowed to testify and especially the fact that none in our organization had the opportunity to testify. Minnesota, where Agriculture is truly the backbone of the financial economy, and dozens of farmers could have been given the opportunity to state their opinions. Then too, to have this Hearing in the Grain Exchange is the ultimate slap in the face to farmers. A farm issue, without farmers, in the Grain Exchange?

First of all we plead and beg for your support in passing the "Save the Family Farm Act" and secondly we demand that you people of the Senate Ag Committee take steps to save the Ag economy here in Minnesota and in the United States. Our farmers are in depression, losing their land, their businesses, and their homes, and their future and the future of farming for young farmers. Small town businesses are disappearing faster than ever, and the jobs in rural Minnesota are lessening. Banks are failing, as is the Farm Credit System, and why? It is a simple answer, and one which you hold in your hand. Farmers must receive a price, a fair price for their products and there must be supply management. Our tax base is being destroyed, our small towns are falling apart, our financial institutions are failing, larger towns are beginning to suffer and eventually the large cities will crumble, and Washington, D.C. with them. Farmers spend a lot of money when they make a profit, and the money is turned over 6 or 7 times in a community. Farmes pay a lot of taxes, both real estate and income tax, when they make a profit. When the farmer is broke, all of this fails, and it spirals all the way up to affect everyone in this country. The "Save the Family Farm Act" grants a "fair price" to farmers, and allows a debt-restructuring process that allows them to remain on the land until profits can be made. You have our future and the future of our country in your hands with Bill in hand. Take the step that is needed, and work to save the life all of us Love, and the country we are proud to live in and work in. It's up to you. We depend on you. We count on you! Please. Thank you for your time to address this issue.

STATE OF MINNESOTA,
OFFICE OF THE SECRETARY OF STATE,
St. Paul, February 4, 1987.

Re: Resolution.

Enclosed herewith is Resolution #001, 1987 Legislative Session, that is being forwarded to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, the Chairman of the Committee on Agriculture, Nutrition, and Forestry of the United States Senate, the Chairman of the Committee on Agriculture of the United States House of Representatives, and the Minnesota Representatives and Senators in Congress.

Very truly yours,

JOAN ANDERSON GROWE, *Secretary of State.*

Enclosure.

A resolution memorializing Congress to immediately adopt the "Save the Family Farm Act" or similar legislation to meet the catastrophe striking American farmers and the farm economy

Whereas, 650,000 farmers have been forced out of business in the past six years; and

Whereas, 95,000 main street businesses including 2,000 farm implement dealers have closed their doors since 1981; and

Whereas, 55,000 farm implement manufacturing workers have been permanently laid off in the past 5 years; and

Whereas, 403 banks, primarily rural banks, have been closed since 1981; and

Whereas, farm prices have fallen to their lowest level in 15 years and farm exports have dropped by almost 40 percent falling from $44 billion in 1980 to $26 billion in 1986; and

Whereas, taxpayers' costs for farm programs have increased five fold from $6 billion during the 1970's to over $30 billion in 1986; and

Whereas, farm assets, primarily land, have fallen $250 billion in the last five years, an average loss of $139,000 for every U.S. farmer. In 1981, farm assets exceeded the $1 trillion national debt while today's $2 trillion national debt is two and one-half times the value of farm assets; and

Whereas, current programs have idled 50 percent of U.S. farm land in 1983 and 35 percent in 1987 while encouraging production in other years thus creating havoc for agribusinesses; and

Whereas, consumer prices have continued to increase despite dramatic drops in farm prices; and

Whereas, more than 10,000 Minnesota farms have been permanently wiped out in the past four years according to the United States Department of Agriculture; and

Whereas, at least one-third of Minnesota's remaining farmers are suffering severe financial stress; and

Whereas, a fair price for farmers is the only real true solution for agriculture, Minnesota's largest industry; and

Whereas, a fair price for Minnesota's farmers would bring at least $1 billion of new income into Minnesota since much of Minnesota's farm production is sold out of the state and out of the country: Now, therefore,

Be it resolved by the Legislature of the State of Minnesota that Congress should immediately pass the "Save the Family Farm Act," or similar legislation that will restore profitability to agriculture by paying farmers a fair price for their product, save taxpayers over $20 billion per year by eliminating all government subsidies, and will maintain export markets through the use of bonus bushels.

Be it further resolved that the Minnesota Secretary of State transmit copies of this resolution to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, the Chairman of the Committee on Agriculture, Nutrition, and Forestry of the United States Senate, the Chairman of the Committee on Agriculture of the United States House of Representatives, and the Minnesota Representatives and Senators in Congress.

HARRIS, MN, *February 9, 1987.*

Senator LEAHY,
Chairman, U.S. Senate Agriculture Committee.

Re: Hearing Mpls. Grain Exchange Bldg. February 9, 1987.

I am a full-time, diversified farmer using sustainable agriculture practices to operate my farm. The current debate on farm programs between those supporting the 85 farm bill and those supporting mandatory production controls is based on the false assumption that we are drowning in overproduction. U.S. farm overproduction is a fallacy. I enclose an article by Mike Turner & Harold Beyeller which documents that the U.S. has from 1970 to 1985 imported 40,292,000,000 pounds of beef. Also a similar situation in pork.

It is apparent we are displacing the need for feed grains and building up inventories because of our importation of meat and also 100% importation of our Casein needs.

The 85 farm program is a disaster; however, it would be a mistake to impose mandatory production controls on U.S. farmers before taking some effective measures against the flood of imports coming into the U.S.

We need a simple law that denies the trades the right to buy any of our raw material production for less than the average cost of production in the U.S. This will not cost the treasury any money, because all raw materials income will be paid by the trades, and not partially in government subsidies as is the case now.

Thank you for holding this hearing in Minnesota.

Sincerely,

ALLAN JARCHOW.

Enclosure.

THE U.S. FARM OVERPRODUCTION FALLACY

Sleight of hand was achieved an honored place in public policy, even in the flimflam that pretends to achieve that status in the fullness of time (see the lead editorial, this issue). Say it simple and say it often, the Nazi practitioners of this art had it.

Nothing in American history has had it said simple and often with less substance behind it than cause of the farm problem. The word of choice over the last 55 years has been overproduction. Farmers stood accused of overproducing during the 1930s, hence low prices, but the fact remains that during each of the Depression years the U.S. imported more than it exported. The United States imported more than it exported in farm crops—same kind—during each of the WWII years. And after the Farm Act of 1948 took the first swipe at annihilating farm parity, imports really got under way. An inventory piled up; and again farmers were told they were producing too much. There were, in short, too many farmers, the wise men said. Committee for Economic Development in due time drew up An Adaptive Program for Agriculture, which was nothing more than a five year plan for getting independent farmers off the land.

Acres U.S.A. and some of its associates think it is high time to look at the figures. Those figures reveal that the so-called overproduction factor is a fiction, and shortages are reality. Proof exists in USDA figures, and to reveal that proof the chart reproduced here is simply made a matter of record. It was prepared by Mike Toner and Harold Beyeller. Follow it and you will see the picture for beef. Please note that the sources of information are cited at the head of each column.

Column 5 reveals a production shortage in terms of consumption of 28,799,000,000 [million of pounds].

Column 6 reveals exports of 2,468,000,000 pounds.

Now, let's look at supply.

A 16 year 31,267,000,000 pound carcass weight shortage is 59% of the live weight required.

A 16 year 59% carcass weight converted to 100% live weight is 52,995,000,000 pounds live weight required.

A 16 year 52,995,000,000 pound live weight would require 48,177,273 live 1,100 pound cattle.

A 1 year average, 48,177,273 live cattle divided by 16 years equals 3,011,080 additional slaughter cattle required to meet the shortfall in production each year.

By following the chart, columns 7 and 11 identify the source that replaces the domestic underproduction over the 16 year period. Column 7 shows imports of dressed (carcass weight) beef to the tune of 31,131,000,000 pounds. The one year average is 1,945,000,000 pounds. Next, column 11 shows 14,115,857 live animals imported. This translates to carcass weight of 9,161,000,000 pounds during the 16 year period used here. In other words, the U.S. imported 40,292,000,000 pounds of beef (subtract column 11 from column 7).

This means that in 16 years we imported 40,292,000,000 pounds. The domestic underproduction was 31,267,000,000 pounds, and this computes to having a 9,025,000,000 pound excess imports for the 16 years, and 546,000,000 pounds excess imports as a yearly average.

Obviously we are importing any surplus that exists.

Obviously we are displacing the need for feed grains and building up inventories (which USDA likes to call surpluses). It would take 305 bushels of corn (equivalent feeding values) to feed each of the 3,011,080 cattle. In terms of 100 bushel an acre corn yield, this computes to 9,180,000 acres displaced by imports. Also displaces is the labor on farms, transportation, manufacture, and all the other products of industrial America that extension of this "what if" scenario would duly account for.

At the time American Farmers were cleverly lured into buying high priced acres, often at the $3,000 and $4,000 level, international capital purchased Argentina land at less than $100 an acre. Introduction of salt fertilizers and harsh chemicals to virgin acres, plus cheap, cheap labor, helped create imports at a price that could break the backs of American farmers. Ad agency types supplied the absurd "trading partner" concept that is being recited day and night by semi-literate announcers. The Argentina experience was repeated from all corners of the globe, with production flowing to the U.S. to break American farmers, starvation remaining behind as a legacy of that "parternship." And all the experts could tell the farmers was that a strong dollar was to blame, that things would get better as soon as they got worse.

Next month, we will offer details on how pork imports are annihilating American producers. In the meantime readers may want to consider the level of probity, in any, that can be found in former USDA Secretary John Block's "export market" thesis, the idea that we can sell more to the foreigner than the foreigner is selling to us (same kind of products) when the foreign source has 10 cent an hour labor at his beck and call in many cases. Study the charts on the facing page for sources and details.

BEEF FACTS ANALYSIS. . . *by Mike Toner & Harold D. Beyeller*

Source of Material USDA Bulletins	Agr. Statistics USDA 1984 Pg. 310 Tab 455	Agr. Statistics USDA 1984 Pg. 310 Tab 455	Food Consumption Bulletin #736 Pg. 47 Tab 34A	Agr. Statistics USDA 1984 Pg. 311 Tab 456	Summary Columns 1-2-3-4	Agr. Statistics USDA 1984 Pg. 311 Tab 456	Food Consumption Statistical Bulletin #736 Pg. 47 Tab 34A	FATUS Economic Research USDA-1984 Pg. 139	FATUS Economic Research USDA 1984 Pg. 139	FATUS Economic Research USDA 1984 Pg. 139	These Animals show up in our Domestic Beef Production
	Food Consumption Bulletin #736 Pg. 47 Tab 34A	Food Consumption Bulletin #736 Pg. 47 Tab 34A		Livestock & Meat Statistics Bulletin #715 Pg. 158 Tab 183		Livestock & Meat Statistics Bulletin #715 Pg. 158 Tab 183	Average of 4 Bulletins USDA	Livestock & Meat Statistics Bulletin #715 Pg. 155 Tab 180	Livestock & Meat Statistics Bulletin #715 Pg. 155 Tab 180	Livetock and Meat Statistics Bulletin #715 Pg. 155 Tab 180	Column #1
Applied Use	Domestic Beef Production (million lbs.) 1	Domestic Beef Consumption (million lbs.) 2	Domestic Production for Military Consumption (million lbs.) 3	Domestic Beef Production for U.S. Territories (million lbs.) 4	Shortage of U.S. Beef Production Cols. 2-3-4 compared to col. 1 (million lbs) 5	Beef Exports to Foreign Countries (million lbs.) 6	Imports of Foreign Beef (million lbs.) 7	Live Beef Animals Imported Under 200 lb. (No. animals) 8	Live Beef Animals Imported 200 to 699 lbs. (No. animals) 9	Live Beef Animals Imported over 700 lbs. (No. animals) 10	Total Animals Animals Per Year (No. Animals) 11
1970	21685	22926	465	65	1791	40	1792	168933	906992	66,975	1,142,900
1971	21904	23086	407	68	1657	53	1734	158689	748873	61,523	969,085
1972	22413	23956	302	62	1907	62	1960	173336	939168	56,531	1,169,035
1973	21278	22814	229	61	1826	91	1990	143851	783851	95,742	1,023,444
1974	23137	24488	195	67	1613	63	1615	77602	413777	64,810	556,189
1975	23975	25397	278	71	1771	54	1758	10145	220851	151,932	382,928
1976	25969	27539	231	80	1881	90	2073	119814	562707	290,098	972,619
1977	25279	27048	151	78	1998	103	1939	133067	731247	263,325	1,127,639
1978	24241	25998	237	58	2052	163	2297	154972	873542	214,548	1,243,062
1979	21477	23522	170	51	2266	170	2405	146133	430726	144,095	720,954
1980	21643	23320	189	48	1914	176	2064	135937	382325	154,004	672,266
1981	22389	23756	195	37	1599	221	1743	145653	370056	135,295	651,004
1982	22536	23998	135	57	1654	254	1939	159606	605768	231,379	996,753
1983	23243	24710	121	41	1629	272	1931	88564	587669	235,082	911,315
1984	23598	24900	112	47	1461	328	1823	77845	406921	262,180	746,946
1985	23728	25331	126	51	1780	328	2068	34749	573368	221,601	829,718

Summary of Parity From U.S.D.A. Publications

Table 160—Price Per Hundredweight Received By Farmers, Parity and Price Received as Percentage of Parity Meat Animals, United States, 1970-85

Year	Beef Cattle			Calves		
	Price Received By Farmers 1/	Parity Price 2/	Percentage of Parity	Price Received By Farmers 1/	Parity Price 2/	Percentage of Parity
	DOLLARS		PERCENT	DOLLARS		PERCENT
1970	27.10	32.50	83	34.50	37.90	91
1971	29.00	34.40	84	36.10	40.60	89
1972	33.50	36.80	91	43.90	44.10	100
1973	43.00	43.00	100	57.00	52.00	110
1974	35.80	51.00	70	38.60	62.80	61
1975	32.20	55.30	58	26.90	67.50	40
1976	33.90	57.00	59	34.50	67.40	51
1977	34.50	58.30	59	36.80	68.10	54
1978	48.50	62.30	78	58.40	72.00	81
1979	66.30	71.90	92	89.70	83.30	108
1980	62.50	83.10	75	77.50	99.00	78
1981	58.50	92.00	64	64.50	110.00	59
1982	57.00	95.00	60	60.20	112.00	54
1983	55.80	97.50	57	62.10	112.00	55
1984	57.60	101.00	57	60.20	114.00	53
1985	54.00	101.00	54	62.40	114.00	55

1/ Unweighted calendar-year average price.

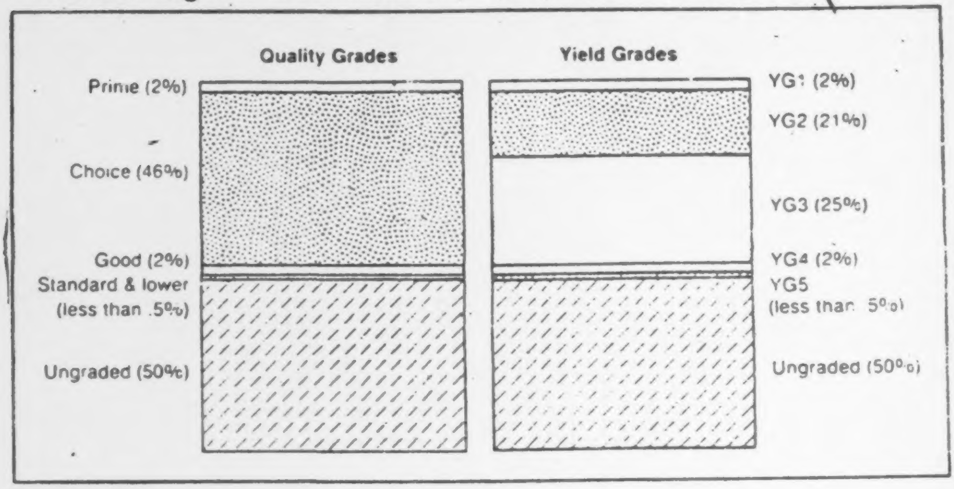
2/ Unweighted average of parity prices published monthly.

3/ Annual average is for the 12-month period beginning December previous year through November of current year.

Column #1 Domestic Beef Production includes columns #8, 9, and 10. To arrive at our own Domestic Production columns #8, 9 and 10 must be subtracted from column #1. Columns #8, 9 and 10 must be first converted to dressed weight. Dressed weight = 59% of live weight.

Information compiled by Harold D. Beyeler
(703) 337-2049
Mike Toner
(703) 377-6729
P.O. Box 596, Stuarts Draft, VA 24477

Percentage of Beef Graded, 1984, From U.S.D.A. Source



STATEMENT OF CURT ROHLAND, VICE PRESIDENT, WISCONSIN FARM UNITY ALLIANCE

While today's hearing is focused on the issue of trade, we would like to submit written testimony on the issue of dairy policy, and the urgent need for a new farm program.

During the past year, members of our organization have had the opportunity to meet with dairy farmers from most other regions of the country. One message has come across loud and clear. At the grass-roots level, dairy farmers are ready to set aside their regional differences and work together to win a program that can provide longer term security and stability.

We've sat around kitchen tables, and in townhalls and church basements, and talked about what this kind of program would look like. We've talked about regional differences, and about how each region is going to have to compromise some, in order for all of us to be able to receive a fair price. Out of all this we have forged a consensus, and that consensus is best represented by the dairy section outlined in the Harkin-Gephardt bill.

If someone had told me five years ago that dairy farmers from around the country could agree on anything, much less a mandatory supply management program, I would have been very skeptical. The fact that this is happening now, says volumes about the very difficult economic situation that family dairy farmers are in at present, and about the mood of rural America with respect to the need for a fundamental change in farm policy.

In the past, dairy policy debates have been plagued by regional divisiveness. I would like to touch on several of the regional questions which we dealt with in our discussions.

One of the major points of discussion involved the question of requiring a uniform national production cut back in the event of a predicted milk surplus. This issue was of particular concern to regions which are deficit in milk supply at present. Our position, after much discussion, was that the Harkin-Gephardt bill offered a fair compromise that met the needs of all regions. The bill does not affect the existing marketing order system which guarantees producers access to the fluid milk market in their region, and guarantees a regional price differential.

In exchange for these guarantees, and a higher price, the bill does require that all regions share in the overall production cuts required to match demand. Because the supply/demand balance is very close right now, this is an especially good time to implement this program, as the initial cut backs will be fairly minimal. Milk surplus regions would gain some modest increase in access to fluid milk markets, but it would be very gradual, it would not threaten existing markets, and would not be used to break the price. Over the long term, as profitability returns to a variety of commodities, this program will also allow surplus areas to pick up the slack in production which will occur as existing dairy farmers move into more profitable and less demanding commodities.

The basic marketing order system itself was also a major topic of discussion, with farmers in the Midwest arguing we should establish one national marketing order, so that the lowest cost producers could have access to markets and more favorable prices, and farmers from the South arguing that without the marketing order system their region would be overwhelmed by lower cost surplus milk. Again, the Harkin-Gephardt approach was accepted as a workable compromise. The bill maintains the present marketing order system, secures existing fluid milk markets, but raises prices for all regions, and allows for a more equitable sharing of future increases in consumer demand.

In spite of these very positive steps towards agreement on basic policy, there has also been a very clear recognition in our discussions that family dairy farms are in serious economic difficulty. The most recent data we have from the University of Wisconsin, shows that in 1985, over half of Wisconsin dairy farms had a negative cash flow. This means that after paying farm operating expenses there was not enough money left over to cover payment on debts, and to allow for family living expenses above the poverty level, even with off farm income included. Nothing has happened in the past year that would change this situation.

What this means, in real terms for real families, is that dairy farmers are being forced to squeeze themselves, their families, and their farms to the breaking point. Going to three-times-a-day milking, "stacking" extra cows outside the barn, working eight hour jobs and milking cows for another eight hours, scraping by without needed repairs or replacement of wornout equipment and facilities, are all becoming routine survival strategies for thousands of our best and hardest working dairy families. Quite frankly, things are reaching the breaking point, and with all due respect to the members of this committee, there is a growing sense of despair in the countryside that anyone in Washington is really listening, or really ready to help us challenge the basic policies that are causing this crisis.

I have also enclosed a study from the Faribault Minnesota Vo-Tech school, which analyzed actual farm records over the past thirty years from it's adult farm management course, to estimate the economic and social impact of current policy on a typical rural community. If anything, this study, which is over a year old, underestimates current conditions. It predicts that the Faribault area would lose at least 10% of the farmers in it's trade area during the next year. This loss would translate into over $6,500,000 in lost revenue, the loss of 50 farm families, and the loss of 30 nonfarm jobs. This study does not include the impact from declines in other commodities. Unless we change current policy, this loss will be magnified by thousands of rural communities across the country.

The Extension Service recently published a booklet entitled "Revitalizing Rural America" which basically argues that we should throw in the towel on changing farm policy in ways that can raise prices and restore profitability to family farms. It argues that our energy should be directed at encouraging other kinds of economic development in rural America.

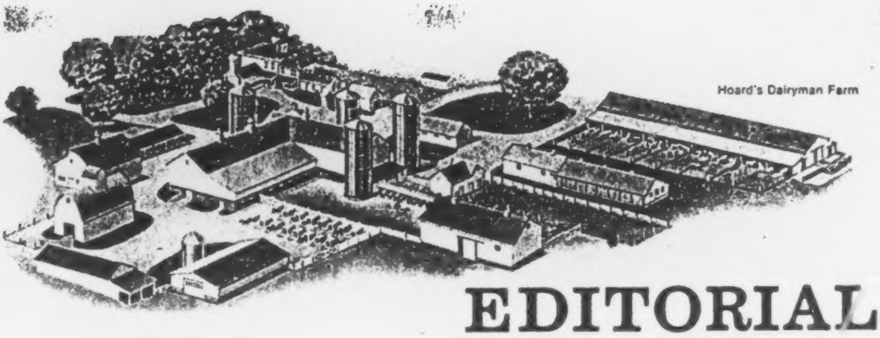
While we have no disagreement with the need for broader economic development, the Extension's new position must be seen for what it really is, a "sellout" of rural America and family farms. Just as they have foisted bankrupt concepts of "competition" and "efficiency" on farmers in the past, they are now trying to sell an analysis that will close the door on regenerating a rural America that is based on economic equity and diversification.

The only hope for rural America is the implementation of a farm program that establishes equity of trade between urban and rural areas, and between the producers of raw materials and the processors who purchase them. This is what a supply management program, based on fair prices, is intended to do. Without this, rural America is left to operate like a third world country; competing for scarce industries by offering cut throat tax incentives, and surplus, cheap labor.

The Chairman of this committee has recently indicated that at this time he will not work to replace our present disasterous farm policy, but will instead consider making minor revisions in present programs. Again, with all due respect to the Chairman and the members of the committee, this would be a serious mistake.

There is a growing consensus in rural America about the need for basic change in farm policy, and growing support for programs like the Harkin-Gephardt "Save the Family Farm Act". The format chosen by Senator Boschwitz for today's hearing; held in an urban area, in the offices of market speculators, with little farmer testimony, sends the wrong signal to farmers.

We urge this committee to provide the political leadership that farmers are calling for, to use the opportunity this crisis has created to push for policy changes that will make a difference, and to give farmers a chance to vote on their own future.



Hoard's Dairyman Farm

EDITORIAL

THE IMPACT OF FEWER FARMERS ON COMMUNITIES

THE plight of the nation's farmers is receiving more attention than at any time during the past 50 years. The growing concern both within and outside of agriculture has been stimulated by this being the year for a new "farm bill."

Many warn that agriculture's worsening situation will inflict irreparable damage on rural communities. Already, scores of farm equipment dealers and other farm suppliers have gone out of business. Rural banks have failed, and the amount of money owed by farmers is at an all-time high.

The dollars-and-cents impact of farm failures on a rural community is illustrated vividly by an analysis made by Doug Wirtish and his coworkers at the Faribault Area Vocational-Technical Institute in Minnesota. Their 30 years of carefully kept farm records provide a good handle on how much farmers spend and what happens if the money is not there to spend.

The Minnesota study is based on a number of assumptions. For example, there are 500 farms in the Faribault trade area, mostly dairymen. About 30 percent of the farmers are having some financial problems and a third of those, or 10 percent of the total, could go out of business during the year. As a result, 50 families would have to quit farming, and 40 of them would be forced to leave that community to find jobs.

In this analysis all the land still would be farmed, but no livestock would be raised. The land would be farmed by cash crop farmers who would need no additional machinery. Because they are larger operators, it was estimated that a fourth of their seed, fertilizer, fuel, chemicals and other supplies would be purchased directly from distributors with that business being lost to the local area. Also, with less competition for land, cash rents in the area would drop by 20 percent. Dairy farms in that area average 456 acres and 54 cows in milk.

Based on actual records, here's what losing 50 farms would mean to the Faribault area. Nearly $580,000 less would be paid to other farmers and businesses for custom work and replacement heifers, feeder pigs and feeder cattle. Sales of fertilizer, feed, other supplies and repairs would be cut by $2,300,000. If labor costs are 12 percent of gross sales, 14 jobs will be lost.

The amount of money paid for rent to all landowners in the area would be cut by $125,000. Farm suppliers would have to write off bad debts amounting to $326,000. Farm equipment sales would be down $590,000, and three dealership employees would lose their jobs. With those 50 farms out of business, $184,000 less would be paid to farm workers and three more jobs would be lost. Banks and other lenders would face loan defaults amounting to $1,856,000.

With 40 families leaving the area, $421,000 less would be spent on food, clothing and other expendable items. Spending for items such as autos and appliances would be cut $76,000. Store owners would lay off three employees. Finally, with 80 children lost from the school district, state aid would be cut $118,000, and there would be seven less teachers.

The grim conclusion is that the revenue loss to the Faribault area would be $6,576,000. Also, 30 nonfarm people would lose their jobs. It's conceivable that this could happen in hundreds of rural communities throughout the nation.

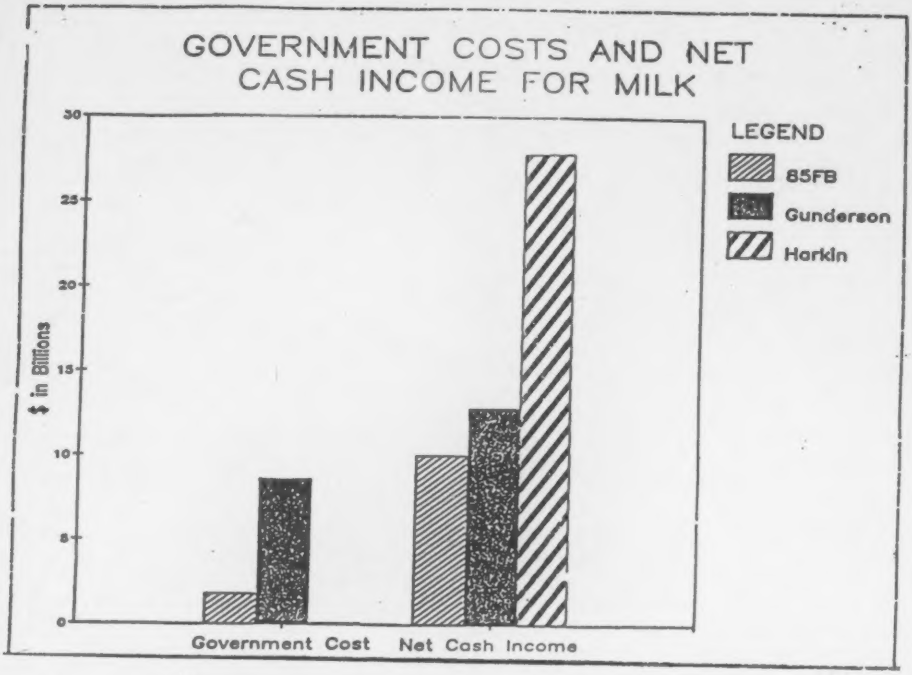
These cold calculations tell only part of the story. Consider the impact on people's lives. Many will be forced to move away from home farms and close relatives and friends. Clearly, it's time that our nation's farm policymakers worry about the future of rural America, as well as balanced budgets and political ideals.

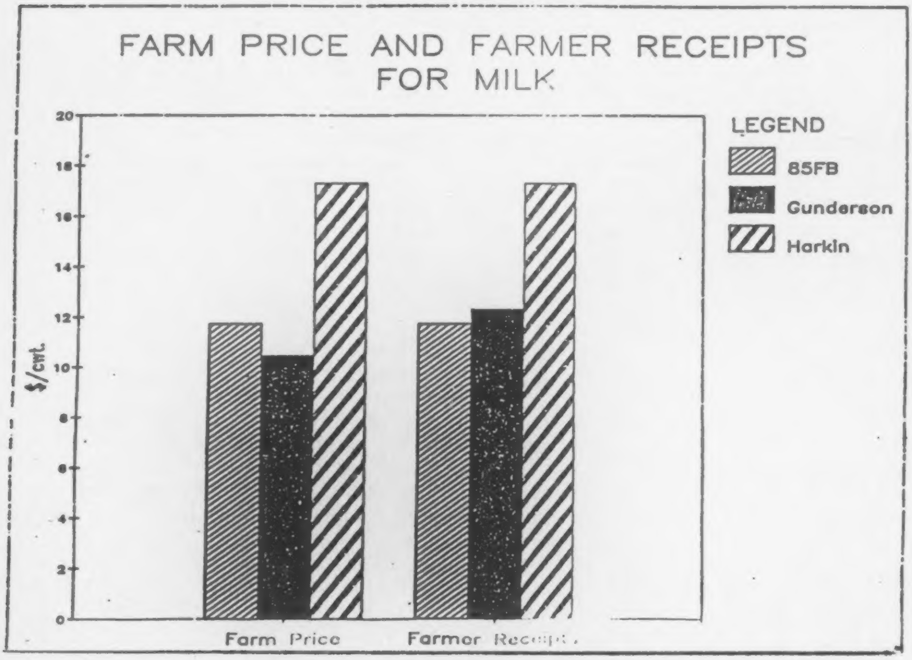
Faribault Area Vo-Tech Institute
Agriculture Department 3/85/300

HOW MUCH MONEY DID THE AVERAGE FARIBAULT AREA FARMER SPEND, AND WHOM DID THEY SPEND IT WITH IN 1984

PAID TO	SPENT PER FARM	% OF EXPENSE	60 ACTUAL RECORDS	TRADE AREA* FARMERS
TO OTHER FARMERS AND AGRIBUSINESS FOR LIVESTOCK AND CUSTOM WORK	$ 11,542	6.5	$ 692,320	$ 5,771,000
TO THE AGRIBUSINESS COMMUNITY FOR FERTILIZER, CHEMICALS, SEEDS, FEEDS, REPAIRS, AND FUEL	79,133	44.3	4,747,980	39,566,500
FOR EXTRA LABOR	3,694	2.1	221,640	1,847,000
SUPPORT OF LOCAL GOVERNMENT (REAL ESTATE TAXES)	3,373	1.9	202,380	1,686,500
FOR UTILITIES (ELECTRICITY AND TELEPHONE)	4,647	2.6	278,820	2,323,500
FOR USE OF OTHER PEOPLE'S CAPITAL (INTEREST AND CASH RENT)	46,467	26.0	2,788,020	23,233,500
FARM EQUIPMENT DEALERS (POWER, MACHINERY AND EQUIPMENT)	11,791	6.6	707,460	5,895,500
REAL ESTATE PURCHASE AND IMPROVEMENTS	17,895	10.0	1,073,700	8,947,500
TOTAL FARM PURCHASES	$178,542	100	$10,712,520	$89,271,000
FAMILY SPENDING-PERSONAL (AVERAGE FAMILY SIZE OF 4)				
CHURCH & WELFARE	$ 904		$ 54,240	$ 45,300
MEDICAL CARE & HEALTH	2,938		176,280	1,469,000
RETAIL EXPENDABLES (FOOD, CLOTHING, OPERATING, ETC.)	10,539		589,380	4,911,500
RETAIL DURABLE GOODS (FURNISHINGS, EQUIPMENT, AUTO, HOME, ETC.)	1,901		157,020	1,308,500
TAXES AND OTHER DEDUCTIONS	1,852		111,120	926,000
INSURANCE & INVESTMENTS	1,676		100,560	838,000
TOTAL FAMILY SPENDING	19,810		1,188,600	9,498,200
GRAND TOTAL	$198,352		$11,901,120	$98,769,200

*500 FARMS ESTIMATED IN THE FARIBAULT TRADE AREA. (AVERAGE SIZE FARM WAS 436 ACRES IN 1984.)





Texas Agricultural Experiment Station
Texas Agricultural Extension Service
Texas A&M University

NORTH DAKOTA HEARING—FEBRUARY 9, 1987

STATEMENT OF HON. GEORGE A. SINNER, GOVERNOR, STATE OF NORTH DAKOTA

Members of the Senate Agriculture Committee, I extend a cordial welcome to you on behalf of the citizens of North Dakota and I express our appreciation for bringing your committee to our state. Because agriculture is the predominant industry in our state, North Dakota is an excellent barometer of agriculture in general. I commend your choice of this setting as an appropriate place to conduct your deliberations about the future of U.S. food policy.

The current world agricultural situation is truly ironic. In a world with a rapidly increasing population and a finite amount of natural resources, we currently face a problem of plenty, too much of one of the basic human requirements—food. World food production and world food reserves are at record levels. Worldworth Institute esitmates that world ending stocks of grains for 1986 were about 24 percent of the annual world consumption. These food reserves, as a percentage of consumption, are approaching the record 1960 level of more than 28 percent of annual consumption.

Too much food in the world is not a curse; the curse is the inability of the world to overcome political and economic obstacles to delivering the food to the mouths of hungry people. The United States must take the lead in promoting and developing a world-supported plan for better distribution of food to the poor and starving of our planet.

If we are unable to surmount the barriers to feeding those who need the products of our farms and ranches, the option we are left with is to reduce the production levels of our agricultural commodities. If you fail to achieve a means of consuming the burdensome food reserves, formal negotiations with the other food exporting countries of the world must be initiated by the United States to attain a multi-lateral agreement aimed at reducing worldwide levels of production. Perhaps, in the short term, Congress can initiate unilateral production reductions by the United States. But you must look carefully at the most recent attempt by the U.S. to unilaterally reduce production—the 1983 farm program which initiated the idea of PIK (payment in kind) for idling entire farm units. The by-products of this massive land idling program were increased production by competing grain-producing countries, an increased share of exports for these countries, and a reduced share of exports for U.S. farmers.

The credit crisis of farmers and ranchers has been well documented. A priority concern of mine when I was elected was to achieve a meaningful program of agricultural debt restructuring. This restructuring will ultimately take place whether or not government intervenes. However, the human toll of a restructuring driven purely by market forces is despair, desperation, and sometimes death.

No one gains in the liquidation/foreclosure process; equity values are gone in any event. Displacing good farmers helps no one.

We are making some progress in North Dakota toward an orderly restructuring of agricultural debt. State government, private lenders, and farmers are working together to reach solutions that, in many cases, leave farmers on the farms with the hope of being survivors in the future. This process involves concessions and flexibility by all involved parties.

This restructuring process, which recognizes the huge losses of farmers, is not without cost to lenders, as well. Current land values just will not support the debt outstanding on many of the loans. This debt will not be recovered through foreclosure. Because of these costs to lenders, reinforcement of the credit agencies by the federal government is absolutely critical. To avoid such action would be a disastrous failure on the part of the federal government.

Although agricultural lenders in general are recognizing the necessity of debt restructuring, the federal government must make a serious commitment to deal with the agricultural credit crisis. If farmers and ranchers ever needed a lender of last resort, such as Farmers Home Administration, that time is now. Yet FmHA is retreating from agricultural lending.

While all other lenders in the state are restructuring debt to reflect current values, to return those loans to a performing status, and to keep farmers in business, Farmers Home Administration will consider principal concessions only if the farmer leaves the farm and ceases operation.

We are facing serious economic times; in North Dakota this is directly traceable to the sick condition of agriculture. What you will hear today will come from people who understand the problems. I hope they will hear solutions to these problems. Leave them with something hopeful.

STATEMENT OF HON. KENT JONES, COMMISSIONER, NORTH DAKOTA DEPARTMENT OF AGRICULTURE

Senator Conrad called my office a couple of weeks ago, and left me a tough assignment: "In three to five minutes, tell us what you see as the problems facing agriculture, and offer some solutions."

Well, in three to five minutes I couldn't even begin to tell you about the problems I see facing agriculture. And, while I have some ideas about how we can rise up to meet the unique challenges facing agriculture today, I'm going to tell you right now, not all those ideas will work. I sure don't have all the answers, and even if you gave me three to five years, I couldn't solve agriculture's problems.

You, the farmers, are our best source of ideas and solutions. For several years, executives in successful, thriving businesses have told us that the best ideas about how to solve a problem or do a job come not from upper-level executives or bureaucrats, but from those who actually do the job. I think it's about time we applied that principle to agriculture. After all, agriculture is one of the biggest businesses in the United States, and certainly in North Dakota. In fact, American agriculture is the world's largest commercial industry, with assets exceeding one trillion dollars. It employs 20 percent of America's labor force, and contributes 20 percent of the nation's Gross National Product.

So, today we lay a huge responsibility—and an opportunity—at your feet. We are here to find out what you, who actually farm the land and experience the joys and trials of farming firsthand, think should be done to help the agricultural economy. In the past, it seems, top-level bureaucrats have formulated policies and created programs without bothering to ask farmers if they are workable and practical. There has been too much telling farmers what they need, and not enough asking farmers what they need.

Some on the federal level have advocated moving toward mandatory production controls, and I think this is another example of telling farmers what they need. Not one farmer I've talked with is in favor of mandatory production controls, and for good reason. Farmers feel it would be counterproductive for the United States to set production controls when our competitors have no such intentions of their own. We may be able to control commodity production in the U.S., but we cannot control world production. Commodity surpluses are a global problem, not strictly limited to the United States. If we cut our production, our competitors will be only too happy to step in and pick up the slack, and U.S. agriculture will be worse off than ever before.

Through North Dakota's farm credit counseling program, we have learned quite a bit about what farmers need. We've learned that, had this program existed earlier, many farmers might still be on the land today. We've learned that the U.S. and North Dakota have seen farm numbers decline for the past hundred years, and this is not a new phenomenon. We've learned that farmers in crisis need support of many kinds—financial, emotional, and technical. Those who cannot continue to farm must be retrained and assisted in finding new jobs, but first we must have new jobs for them to find. For too long, North Dakota has exported its most precious resource—its people—and we need your ideas as to how we can stop this trend.

I'm very proud of North Dakota's farm credit counseling program. It won the Innovations Award from the Council of State Governments last year, and has proven its value by its success rate. This program is a vital service to farmers in difficulty.

But, while I'm proud of this program, and due to its nature we have learned a lot about what farmers in trouble need—we have not learned much about what successful farmers are doing well, that we could learn. As I said earlier, agriculture is a business. If you've read books about successful businesses, you've noticed that although some space is devoted to what failed businesses have done wrong, much more space is devoted to what successful businesses have done right. Perhaps this is a direction we should take with North Dakota agriculture—we should study those successful farmers to see what they're doing right, and emulate them. If such diverse businesses as Tandy and McDonalds share similar management tactics and precepts, then perhaps such diverse farming operations as we find in North Dakota might share similar management tactics, as well. We're all aware of farmers who are experiencing difficulties, but let's not forget, we have just as many farmers who are successful.

To watch the television news these days, and read the paper, you'd think every farmer in America was facing foreclosure. There are those for whom that is a very real nightmare, and we must do our best to help them weather the transition. They must realize that they are, in most cases, not at fault, but rather victims of high interest rates, falling land values, and many, many factors over which they had no control. Hopefully, programs like North Dakota's farm credit counseling can fill some of these farmers's needs, and programs such as the interest buy-down can help those farmers in the middle of the spectrum who will need some help to maintain a viable family farm.

At the state level, we in North Dakota have done the best we can to adapt to the framework given us by Congress. In the past few years, our office has organized programs to meet farmers' needs at many levels. We've done the agri-bond issues, and started the interest buy-down program to make low-interest money available to farmers who need help to cash flow. The farm credit counseling program has spawned a network of support systems to help farmers find mental health and legal and financial assistance. The Pride of Dakota program is a huge success—market tests have proven that if North Dakota consumers can identify home-grown and processed products on their stores' shelves they're more likely to choose them over out-of-state products. That translates into an increased demand for the product and increased profits for North Dakota producers.

Another marketing tool I've worked on is the Export Trading Company. I'm looking to the ETC to bring back what I feel we've lost on the national level, and that's salesmanship. North Dakotans are a proud bunch, and I know we'll make every effort to see that our customers are satisfied. I'm tired of hearing stories about countries who receive dirty grain from the U.S., or who order one thing and get another. Pride and salesmanship have been lost somewhere along the line, and if we can't regain it at a national level, then perhaps we should give more latitude to individual states who will follow through on sales to domestic and foreign buyers. We seem to have forgotten that old business cliche, "The customer is always right—even when he's wrong!" We must sell our customers what they want, not what we want.

It's time for a new direction in agriculture—new answers to new questions. Apparently, the way we have used our ag budget dollars in the past has not worked. Between 1981 and 1985, the U.S. Department of Agriculture's outlays increased 73.5 percent, compared with 47.3 percent for the rest of the budget. Federal assistance to the farming industry, including the CCC, is not close to twenty billion dollars per year, up from four billion in 1981.

Yet, the ag economy is far from recovery. USDA recently announced that farmers this year are receiving four percent less for their produce than they received a year ago. Yet while prices paid to farmers decrease, prices paid by consumers at the supermarket increase. Why?

Perhaps it's time to target more dollars to research—research to reduce the farmer's input costs, thereby making it easier for him or her to make a profit. I also support research into new uses for surplus commodities. This is a time to increase our research investment, not cut back. I think it's time to target the dollars to the family-size farms—the viable, efficiently-run units which are the backbone of the industry—and to do away with loopholes which enable large corporate farms to reap the benefits of the programs. I also support expansion of export enhancement programs. I have never understood why we in the United States have bins bulging with excess grain, yet every night millions of people go to bed hungry, and children in our own country as well as foreign countries still die of starvation in the 1980's.

Senator Conrad, you've asked for solutions, and I don't know that I've offered any this evening. But, I do believe that the first step toward meeting the many challenges we face in agriculture is to really listen to these people who are here tonight. Many of those who live in Washington, D.C., hear about the problems in agriculture on the radio or read about it from time to time in The Washington Post. But these people you see before you tonight live with the problems on a day-to-day basis, and I sincerely believe they are the experts on how these problems can be solved.

We politicians like to think we are a pretty smart, influential bunch. But I would venture a guess that it's been several years since Senator Conrad rode a tractor or a combine, or struggled to make a land payment. And, while my family still farms, it's been a couple of years since I had day-to-day contact with the farm, as well. That's why it's so important that we elected officials who look beyond the headlines which forums like this might bring us, and instead concentrate on the concerns and ideas we hear today.

You have elected us to work for you—I encourage you to use this opportunity to tell us what you need, and we'll do our best to see that you get it.

STATEMENT OF ALAN BERGMAN, PRESIDENT, NORTH DAKOTA FARMERS UNION

Mr. Chairman, I am Alan Bergman of Jud, N.D. I operate a small grains and livestock farm near Jud. Two months ago, I was elected by my fellow farmers as the president of the North Dakota Farmers Union. I have and will continue to be actively operating our family farm. I also serve as a director of the Farmers Union Grain Company of Jud and as a director of the James Valley Electric Cooperative headquartered at Edgeley, N.D.

Since I began farming, first in partnership with my father, and then on my own, we have witnessed a continual deterioration in the price support and supply-management provisions in each succeeding farm law.

The Food Security Act of 1985 is a continuation in that trend, and we now have the most expensive, the most complicated, and the least effective farm law in modern agricultural times.

From 1972 to 1985 North Dakota has lost 10,000 farm units, leaving us with 34,000 farms in the state. In that same period realized gross income per farm has almost doubled. Despite this increased gross income, realized net income per farm in our state has dropped to about one-half from a high of $30,498 in 1974 to $13,228 in 1984. In other words, we are working twice as hard for one half of the income.

In the five most recent years for which we have statistics available, from 1980 to 1984, total farm debt in our state has increased from slightly over $4 billion to almost $5.5 billion. The debt to equity ratio for North Dakota farmers has increased some 14 points from 21.1% to 35.6%.

The loss of farms, the reduced net income, and the increased debt load of farmers in this state are clear indications that the present course in national agricultural policy is not working for the vast majority of family farmers in our state.

To be clear, we need to define a family farm. A family farm is an economically adequate agricultural production unit that should provide the farm-family a family income that is comparable to the average income of families in other segments of our national economy.

We further define a family farm as a unit using land and other capital investment operated by one operator and his family, who provide the management, take the economic risk and do most of the work required to operate the unit.

In other words, we have added the component of a comparable family income to the traditional economic definition of a family farm.

We believe the basic issue facing this nation is the control of agriculture. In recent years we have seen a dramatic decline in the mid-size commercial farm unit. It is this full-time family farm unit which has suffered the greatest percentage loss in numbers in recent years.

This is not only an economic issue, but it is also a community and social issue, because the family farm is the mainstay of our rural communities in this state. The loss of family farms means losses in the business, governmental and community infrastructures of rural America. That translates into a loss in the quality of life in rural America and a loss in the economic viability of our state.

The original goal of national farm programs was to provide family farmers a parity of income with families in the other sectors of our society. It was to give farm families the same purchasing power that was enjoyed by their urban neighbors.

Unfortunately, that goal has almost been lost and forgotten in the current maze of national farm policies. Our current national policies cater to the theoretical needs of an export market. The commodity programs, pricing levels, set-asides, bases, yields, deficiency payments have become objective in themselves.

Our nation has somehow forgotten that the objective of all these provisions is to provide a reasonable livelihood to farm families on the land.

Rather than being the primary beneficiary of federal farm policies, the American farm family has become the residual beneficiary.

The largest farms and farming corporations in this country are the first in line to use and abuse the farm programs. While advocating a so-called free market, they are also the first ones to find and use every possible advantage in federal farm provisions, the federal income tax code and similar governmental programs. They develop elaborate schemes to bypass the payment limitations, increase their crop bases and reduce their set-aside acreage requirements.

Agribusiness and the nation's grain exporters have been more interested in maintaining their volume than they are in maintaining the family farm system which has sustained them.

Unfortunately, the U.S. Department of Agriculture has too frequently been a willing participant in catering to the needs of corporate agriculture and agribusiness in their policy recommendations and in their rules and regulations. The PIK certificates and the PIK and roll games are among the latest examples of such administrative policy gone astray.

We believe that Congress must immediately move to begin reform of the 1985 Food Security Act and to replace the current farm program provisions with a simplified and more direct program that returns to the national goal of assuring family farm producers a reasonable livelihood.

As a first step, the 1987 crop year program needs to be improved by the repeal of the Findley amendment of the 1985 farm law. Repeal of this amendment would increase commodity loan rates and assure producers of receiving their deficiency payments in the same year as their crop production.

We recommend that Congress continue in its efforts to establish and enforce realistic limitations on deficiency payments and commodity loans to close the current loopholes that have permitted multi-million dollar subsidies to some producers and grain traders.

The secretary of Agriculture should be mandated to carry out the targeting of farm program benefits as authorized by the 1985 Food Security Act. Congress must also find additional ways to target farm program benefits during this crop year.

While immediate action needs to be taken to make corrections for the 1987 crop year, we do not believe that it is good enough simply to amend the current farm law.

We believe the farm and commodity provisions of the 1985 Farm Security Act need to be totally replaced with a simplified, direct and more cost-effective program.

If the purpose of farm programs is to provide a reasonable livelihood to farm families, there is no need or reason to have the federal government underwrite every bushel or pound of production that we have in this country.

Instead of placing price supports under bushels, we need to place those price supports under family farms. We can do that by providing farm income protection on the first basic units of commodity production of family-sized farm units.

We would recommend that Congress first address the question of protecting the income of family farmers. After that issue is settled, then we believe we can move on to the issues of supply and market management, exports, and trade.

Therefore, we recommend that the current farm law be replaced beginning with the 1988 crop year with a "Family Farm Protection Act". This should not be another four or five year farm program, but be part of the permanent agricultural law of this country.

What we are proposing in a Family Farm Protection Act is a different kind of two price system. There would be one price system for family farmers and an "open market" system for production beyond the family-sized farm unit.

While there are various ways to provide price protection on the basic units of production of a family farm, we believe the simplest and most direct method would be providing a limited dollar-amount of non-recourse commodity marketing loans.

These loans would have to be set at least at 110 percent of the national average costs of production for each commodity. (There would need to be some adjustment to reflect feed-grain equivalencies and to maintain balance among commodities but such adjustments should be limited to a narrow band.)

The loans would be repayable at the average prevailing market price as periodically determined at the county level. No producer would be eligible for more than $125,000 in commodity loans annually. In addition, to encourage diversification, no producer would be eligible for more than $90,000 annually on any given commodity.

We would recommend that Congress begin with such commodity marketing loans for current program crops and then systematically expand it to also cover other commodities, such as sunflower and other more specialized crops.

To be eligible for these commodity marketing loans a producer would be required to have and carry out an approved conservation plan for the farm unit.

In addition, these loans should be limited to resident farm operators who rely primarily on farm income for their livelihood.

While we are not prepared to write the rules and regulations on defining this limitation, we would suggest that those with passive investments in agriculture should not be eligible for these price-supports. Off-farm and tax-loss investors should not be eligible.

Producers who have substantial non-farm income should not be eligible. Producers whose primary business interests or livelihood are not farming should not be eligible.

At the same time, retired farmers who crop-share their land and are dependent on farm income for their retirement should be eligible. Farm families in which one or both spouses are working on off-farm jobs to help establish or support the farm unit should be eligible. Part-time farmers, especially those who are building equity towards full-time farming should be eligible.

We are convinced that rules and regulations can be established so that bona fide farm families will be eligible for price-protection, while eliminating off-farm investors, hobby farmers, etc. from federal price protection. Eligibility determinations should be made through the farmer-elected ASCS county committee system.

The third requirement for eligibility would be that producers would need to participate in a paid set-aside. The set-aside should be established on a percentage of total tillable (cultivated acres), as annually determined by the Secretary of Agriculture.

By basing set-aside on total tillable acres, we believe that a 20 percent set-aside would be the maximum diversion necessary. Basing the set-aside on total tillable acres would be a more equitable system and assure that all producers would contribute to reducing the current overcapacity in our nation's agricultural plant.

Those three items: conservation, bona fide farm operator and a set-aside would be the only requirements of the proposed "Family Farm Protection Act".

Producers who wish to continue production beyond the price-protected volume would do so at their own economic risk, rather than the government's. We believe that such a program would encourage self-regulation of overall supply as well as dramatically reducing federal budget costs and budget exposure.

While we disagree with the theory that lower price supports will increase exports, the proposed program would not "interfere" with either the domestic or export marketplaces. Therefore, the free-market advocates would not be able to oppose the program using their current arguments.

Such a program would also give producers freedom to determine their own crop production, acreages, fallow, rotation, etc. and thereby, reduce some of the current administrative costs of the farm program.

We would emphasize that this program would do away with commodity acreage bases, yield formulas, etc. so that farmers could farm their units based on sound crop and land management and their evaluation of prevailing market conditions.

We believe that this is especially important at this time, because crop acreage bases have become distorted and inequitable. Many producers have been able to unduly increase their bases by staying out of one commodity program while participating in another. We have heard of cases of where producers have more base acres than they have actual acres of land.

Producers of non-program crops, such as sunflower in North Dakota are being penalized. With sunflower market prices at unprofitable levels, they cannot afford to raise the commodity and cannot use that acreage for program crops. This is one of the reasons for the widespread dissatisfaction this year with the cross-compliance requirement.

Producers who have faithfully and consistently participated in the available commodity programs are being penalized in that their bases have remained the same, while the neighbors have been able to increase bases for given commodities.

We believe the best way to equalize the bases is simply to do away with them.

The marketing loan program targeted to family farmers has another distinct advantage. It ties federal farm program benefits directly to actual production, rather than acres and yields.

We are hearing arguments and proposals that farm programs should be "de-coupled" from production. There is an element of truth in the theory that our current system of payments based on acreage bases and yields encourages over-production. However, the de-coupling proposals that have been forwarded up to this point would create a welfare system for landowners, rather than price-protection for family farmers.

We are adamantly opposed to "de-coupling". We believe it would further encourage off-farm ownership of farm land and would further tilt the farm program to large producers. We also believe that such de-coupling could not be politically sustained and thus would be the beginning of a total phaseout of farm programs.

Instead, we believe the farm programs should be tied directly to production and to family farm operations. The limited marketing loan approach would achieve this objective, as well as reducing federal budget costs.

While we would still need national food reserves, these reserves would not need to be used as national market management tools, thereby, eliminating the bulk of storage costs for the government. Rather than placing "surplus" production in reserves, production beyond the initial price-protected volume of family farmers could be sold into the market at prevailing market prices, used for feed or stored.

A producer could use stored commodities as a disaster reserve for that farm unit. Stored commodities would be eligible for a commodity loan in a subsequent year, in case of a shortfall in production on that farm unit due to drought, disease, or either circumstance.

By using non-recourse commodity loans, forfeited commodities could be placed in a national food security reserve, assigned to Food for Peace Programs or sold by the government into the export market at prevailing prices.

This would be a voluntary program that is targeted and tied directly to family farm production and would encourage self-regulation of supply in response to "market forces".

We believe it would dramatically reduce federal budget costs. While we do not have a completed or detailed study of budget impact, our best estimates suggest that federal budget costs for commodity programs would be cut at least in half.

As indicated earlier, we believe this program would take the first necessary step in returning farm programs to the original objectives of stabilizing income of family farm operators.

It would also serve notice to other grain exporting countries that the United States is willing to protect its domestic family farm producers but that we will no longer establish the world market's floor price through our current system of loans and reserves.

Therefore, if the United States and other grain exporting countries want some minimal price protection in the international market, they will have no choice but to enter serious negotiations for re-establishing an International Grains Agreement with minimum pricing structures, international food security reserves and, if necessary, allocation of production and marketing shares.

It would place the export market issue where it belongs: that is, in international trade negotiations, rather than on the back of the American farmer. It would also remove the burden of export subsidy wars from the national treasuries of grain exporting countries.

We believe that in these respects, the Family Farm Protection Act plan fits our current national needs of targeting farm program benefits to family farmers through a voluntary program, of maintaining the current marketing systems and of our international trade policy goals.

We do, however, recognize there will be periods in which the supply-demand situation will require government involvement to assist producers in orderly marketing of their commodities.

We, therefore, propose a separate program for managing the supplies available to the market. This would be instituted by a majority vote of producers of a commodity through a referendum.

We would emphasize that this should be a separate and distinct program from the Family Farm Protection Act Plan but that it would be compatible.

As is currently being done, the Secretary of Agriculture would annually determine the volume of production needed of each commodity to meet domestic, export, reserve and emergency relief needs.

Upon announcement of these production goals by the Secretary, producers would then submit their anticipated production of each commodity in terms of bushels, pounds, or tons to the county Agricultural Stabilization and Conservation Service (ASCS) offices.

The county ASCS office would then verify whether the farm unit is capable of producing the anticipated amount of commodities within the approved conservation plan of that farm unit.

If the total anticipated production of a commodity as submitted by producers exceeds the projected demand, the Secretary would assign commodity marketing quotas in terms of units of production (bushels, pounds, etc.)

The marketing quotas would be based on the overall percentage needed to bring supplies in balance with projected demand. To prevent significant regional shifts in production, the quotas would also need to reflect the historic cropping practices on a county-by-county basis.

The Secretary would be required to target the marketing quotas on a progressive basis so that family farmers could market a higher percentage of their anticipated production than larger farm units.

Upon approval of the marketing quotas for a commodity through a producer referendum, the Secretary would issue marketing certificates based on the quotas. The commodity, then, could not be marketed without a marketing certificate, and producers would not be able to receive commodity marketing loans on production exceeding the marketing quota.

If demand exceeds the total marketing certificates issued, the Secretary would be required to issue additional quotas and marketing certificates also on a targeted basis.

We would suggest that such a supply-management program could be instituted by a producer referendum for more than one year, but not more than four years at a time. Upon approval by referendum, the vote would be binding on all producers of that commodity.

This market management proposal is similar in many respects to the system used in Canada by the Canadian Wheat Board. Farmers would still be free to plant what they wanted, but they would be taking their chances if they produce more than their marketing quota. Again, over-production is at the producer's risk, not the government's.

The primary differences between this approach and the Canadian Wheat Board System is that the marketing quota is targeted and based on producers' plans, rather than on acreage.

We believe that the combined approach of the "Family Farm Protection Act" and this "Market Management Act" plan should both become permanent parts of our federal farm law and would provide stability to family farmers, national production and rural economy.

The combined plans recognize that the United States can move in two different directions in international agricultural trade. We could take unilateral action and, for a change, let the rest of the world carry the burdens of agricultural adjustments.

For the long term, we would not recommend such unilateral action, but in the short run, such unilateral action would alert the world that greater cooperation is needed in international trade relationships. It should also tell the world, the United States cannot continue to be the only nation that permits the level and volume of unrestricted free trade, especially as it relates to U.S. imports.

The United States has permitted itself to become the "dumping ground" for almost every product that is exported by other nations. We have traditionally opposed trade restrictions at our borders out of fear that if we restrict imports that we may lose some of our exports.

Yet, imports are generally unrestricted. Exporting nations have growing economies. We are losing both export volume and international trade shares in many basic export commodities. And the only thing growing in this country is our trade deficit.

We believe that it is time for this nation to change its international trade policy perspectives. We need to recognize that no other nation will permit its basic industries, whether it be agriculture or some other essential industry, to be at the total mercy of the international marketplace.

For a myriad of reasons, including political and social stability, nations will protect their basic industries. The United States cannot be an exception. We have already had massive losses in the family farm structure in this country. Other domestic industries have faced the same circumstances.

We need to adopt a realistic trade policy, rather than building hopes on a theoretical free market. We must recognize that free trade will always remain a goal and will never become a full reality because of the economic and social imperatives which every country has.

What we have today is relatively free trade in terms of our imports and little free trade in terms of our national exports.

No other nation in this world can provide the market availability that United States consumers provide. Those nations that depend on the marketplace do not have any real alternatives for sales of their products.

Our nation's consumption of imports provides us a powerful tool that we have not used effectively in international trade negotiations. For example: China told us rather bluntly that if we wanted to export more agricultural products to China, that they expected us to buy their textiles. China was using the principle of reciprocal trade in their negotiations with us.

There is no reason why this country can't use the same principle in our trade negotiations, especially with those nations with which we currently have trade deficits. Simply put, if they want our marketplace open, they have to open their marketplace to us on a reciprocal basis. If they protect their industries, we will protect our industries on the same bilateral basis.

What essentially we are talking about is a leveling of the playing field, so that we have the same access to their markets that they have to ours. Trade has to be a two-way street. We believe that agricultural exports can only rebound if we move to reciprocal trade arrangements. We further believe that agricultural exports in such arrangements can again be a primary means of balancing our trade deficits.

This nation has to get serious about trade negotiations. International trade wars in agricultural commodities only serve to weaken prices and income to the producers of those commodities. Escalation of trade skirmishes through retaliatory measures create the conditions for increased tariffs and other trade barriers.

Ideally, international trade issues should be resolved through multi-lateral negotiations such as the General Agreement on Trade and Tariffs (GATT), the International Wheat Council, etc. The objective of trade negotiations must be to liberalize trade by reduction of trade barriers, elimination of subsidized dumping of products into world trade and by providing increased trade opportunities for developing nations.

But, we have to have some starting place. We believe that a starting place should be bilateral agreements with those nations with which we have trade deficits.

We believe that expansion of trade, especially agricultural trade, can only be achieved by first stabilizing current trade conditions and by long term planning and commitments toward expanding the world's economy, especially among the developing nations.

We should learn from history that the United States has consistently increased its agricultural exports and its share of international trade in periods of worldwide economic expansion. And, we have consistently lost export volume and our share of international agricultural trade in periods of world economic stagnation or recession.

We should also learn from history, that if we want to expand agricultural trade, we have to make long-term investments such as once was done with our Food for Peace and concessionary sales programs. We should also remember that the barter programs carried out by the Commodity Credit Corporation in years past opened many trade opportunities for us.

We believe that the failure of establishing minimum prices in the International Grains Agreement falls mostly on the United States and this nation's reluctance to enter into such arrangements. We have also been the reluctant partner in efforts of grain exporting countries to establish minimum world pricing levels.

Our trade deficits are of our own doing as a country. We have been preaching free trade to a world that practices negotiated trade. It is simply time for us to quit preaching and begin serious negotiations.

Trade is only one of the many factors beyond the nation's farm program which has had profound impacts upon the agricultural economy. Agriculture cannot be isolated from these "outside" factors because we do live in an extremely interdependent world society. However, we do need to provide basic protection to our nation's farm families.

We believe that there are three basic areas which must be addressed for the future of family farm agriculture. Today's hearing is focusing on two of those areas: trade and replacement of the 1985 Food Security Act.

The third area that must be addressed is the issue of agricultural credit. We would recommend that either the full committee or its credit subcommittee hold similar field hearings on agricultural credit.

The first issue that must be addressed is the allocation of FmHA loans and the farm law's and the Administration's movement away from direct loans to guaranteed loans.

If allowed to continue in this direction, we will have destroyed the nation's lender of last resort for this and future generations of producers.

And, if the FmHA direct loan program is phased out, there will be no effective way to stabilize our nation's Farm Credit System.

If we attempt to force the Farm Credit System or any other agricultural lender into the position of being the lender of last resort, we will have pushed the self-destruct button for that system.

While this is a subject for another full hearing, I would like to illustrate the problem by using my farm community as an example.

This year FmHA in North Dakota has been allocated about a million and a half dollars for direct farm ownership loans. The state FmHA office would be better off holding a Reader's Digest type lottery to find out which dozen farmers in our state will get these farm ownership loans, rather than trying to determine who will get these loans on the basis of need, etc.

As a matter of fact, beginning farmers might have better luck waiting for their Reader's Digest Sweepstakes numbers to win than to wait for FmHA.

The point is that currently Farm Credit Services in the Seventh District is offering foreclosed and forfeited land for sale at drastically reduced interest rates. But, only those who have the substantial down payment and equity position are able to take advantage of these sales.

In my community this has meant that the already large farm operator is getting low-interest money for expansion, while beginning and distressed farm families have no place to turn for financing or refinancing land purchases.

This is not the direction that we need in our community. We need beginning family farmers to fill our schools, our churches and our businesses.

We are now entering the peak season for processing of FmHA operating loans. There is no doubt in my mind that hundreds of farmers across the state have already been told that there is no use applying for FmHA operating loans, because there isn't adequate funding for the program.

There is also no doubt in my mind that the 99 pages of proposed new regulations for the Farmers Home Administration, published in the January 15, 1987 Federal Register, will further compound the difficulties of FmHA borrowers and potential borrowers in securing necessary loans.

While we have not made a thorough study of these new regulations, they appear to be consistent with previous regulatory efforts to further restrict the availability and use of FmHA loan programs to the detriment of FmHA applicants.

Under the newly proposed rules, farmers will have another hoop to jump through. A pre-application will be necessary before they can fill out an application. Operating loan borrowers will not be able to use loan funds for cash rent. And, the almost "infamous" surplus crop rule reappears in these new regulations, this time extending to guaranteed loans. That is just a sample of the regulatory maze that is being created and recreated by the Washington, D.C. FmHA bureaucracy.

We would urge immediate Congressional review of these regulations, as well as an investigation of the policy making process within USDA that has consistently sought to phase down FmHA capabilities to serve financially distressed farmers.

STATEMENT OF MYRON TARNO, CLEVELAND, ND

I may sound a little critical of P.C.A. policies, and I am. I have two reasons for that.

First, I have a sister-in-law who was a secretary in the Grafton P.C.A. office in the middle to later 70's. The loan officer there had some farmers with some heavy debts. The loan officer wouldn't approve the loans that these guys applied for himself, but sent them in to the head office, which, I believe, was in Grand Forks, with his recommendations. They always came back approved. The loan officer couldn't understand why the head office always approved those loans. So, one day, when the fellows from the main office came to pay the branch office in Grafton a visit, the loan officer there asked them why they approved those loans. He said, "You know those guys will never be able to pay those loans back." Their answer to him was, "Your job is to borrow money, and if you don't want to do that, we will find someone that will. Whether those guys can pay those loans back or not should be no concern to you."

Another reason is a program they had up into the 80's was an incentive program for the loan officers in each district to win trips, based on the volume of business and money they loaned out. They don't want to admit it now, but I know it's true, because our office in Jamestown won three such trips. The loan officer and his wife went to Hawaii once, the secretary and her husband went to Hawaii once, and either the loan officer or the assistant loan officer went on a third trip somewhere.

One time when I was in the office, the loan officer told me he was going to be gone these certain days because of this trip he won to Hawaii. I asked him how he won the trip, and he told me he had done the largest amount of business and loaned out the most money in the Fargo district, which I believe has 12 district offices. I believe, too, this was without any regard to the quality of the loans, because later on, when things started getting tight, the big boys relieved him of his duties by giving him an early retirement. Now, they try to change their image by changing their name to Farm Credit Services and some slick advertising ads. Also, it was the policy of the home office the loan officer was carrying out. Also they make loans to people on their net worth, and then, in the middle of the stream, when things got tight, they changed their policies to a cash flow system. This is alright on new loans, but on the old loans, a lot of them didn't cash flow when they made them, so, I think they have an obligation to those people too.

They should restructure those loans and put them on long term, which they refuse to do, if they have enough collateral to cover the loans. I don't see how they can get by with making a loan on a man's net worth, and then change their policies to another system. The loans they made under the old system don't work under the new cash flow system, and can force those farmers to sell off their assets and foreclose on their property.

I am sure if that kind of shenanigan was pulled on the slick business industry or corporate world, they would be in court in no time flat, and they would not get by with it. So, why can Federal Land Bank and P.C.A. get by with this kind of shabby business with the farmers? Also, P.C.A. is supposed to be a short-term lender of chattle mortgages, so how can it be legal for them to take mortgages on people's land on a short term that they can call in any time they please, if the farmer can't make the payments they think they should have. Also, they pulled shady deals on some farmers to get mortgages on their real estate, when those farmers didn't want to give them willingly.

I would like you to give me the answers to these questions, or get them for me, if you cannot tell me. I will be waiting for your answer.

I was in the F.C.S. office about a week ago to see about getting a long-term loan and a reduced interest rate on those new programs that they have now. They did agree to put it on a 15-year program with some interest reduction, if we can get a guarantee from FmHA. They refuse to put it on a long-term real estate loan through F.L.B. on a 20 or 25-year loan. I can not understand the reason for this, as they are the same outfit, and they have my real estate mortgaged anyway, only P.C.A. is chattle and F.L.B. is real estate.

They swindled a real estate mortgage out of my wife and me by getting us to sign some blank mortgage papers in February, then they filled them out and put all the descriptions of our land in them. I had agreed to part of it, but not all of it, which they had agreed to. They asked me to bring in the abstracts on that portion so they could look at them, then they wouldn't give them back. The F.L.B. had the deeds to the rest of it. They went there, got them, and sent them to an abstract company to have them brought up to date, without telling us what they were doing, until they presented us with a bill for abstract work for, I think, $1,400.00, approximately. We told them we wouldn't pay it because they are the ones that wanted the mortgage, and we didn't agree to any abstracting. They said if we wouldn't pay it, they would take it out of our budget. I guess we should have realized at that time that they put that other land in that mortgage, but it didn't dawn on us. This was in the summer some time. They kept the mortgage papers until August, when they knew everyone was busy harvesting and didn't pay much attention to their mail. I guess I didn't even know they came, as we had forgotten about them and my wife took them, filed them away, and no one looked at them. They broke the truth-in-lending laws by not telling us what they were doing.

I think the loan officer was supposed to notarize them in our presence, which they did not do. Also, there is a place for two witnesses that are not witnessed. We asked a lawyer about it, and he said Farm Credit didn't need witnesses, which I didn't understand, since there are places on the mortgage papers for them. He said they went to the legislature in the early 70's and got exempted. I thought the legislature was supposed to represent the public and not special interest groups. If they had done that, they couldn't have gotten by with a shady deal like that.

I think that should be looked into. When we left the office that day, I told my wife that I didn't like the idea of signing those blank papers, and she said we shouldn't do that again, but the next spring when we went in for renewal, they did that again. We weren't going to sign them, but the loan officer got snotty, and said you know what's in there anyway, so we broke down and signed them. I guess he must have thought that worked pretty good the year before because we had another farm in another county that was 1440 acres pasture and hay land. We didn't have the abstracts for that because we were buying it on Contract for Deed, but they put that in the mortgage too the next year, and they did the same thing. My wife filed that one away also, and we didin't realize what they had done until about January or February of 1986, when my wife was going through the '84 papers, and she looked at that mortgage and thought by the land descriptions, that they had the land in there that we han't agreed to give them. So, when I came in from outside, she showed that to me, and they did.

So, we looked at the papers that we signed in '85 to see what they had in there, and that's when we saw they had that other farm in there. They knew we hadn't realized what they had done because we mentioned to them several times, when discussing the loan, that they only had a mortgage on part of the land. They let us think that was so. They wouldn't tell us what they had done or correct us when it was mentioned.

Also, one of the secretaries told my wife that they (the secretary) knew they were making loans that they shouldn't have, but that the loan officer wouldn't or couldn't say no. I suppose that was on account of those trips that he was working on winning.

Also, I had a sleeping disorder during the years 1979 through 1983 called sleep apena. They were well aware that this had a severe effect on my ability to function, as I would go to sleep as soon as I sat down or tried to drive a vehicle. I didn't want to give up either. They always had those ads that said they were the financial experts, partners in profit farming, and things like that, which I believed and listened to them for financial advice. It turned out they were some very poor financial experts, and their advice was just as poor. Also, my wife knew I couldn't do some of the things I wanted to because of my medical condition. She called down there and asked them to talk me out of some of the things I wanted to do because she knew I would listen to them. They told her they couldn't do that because I had the collateral to cover it. I did not know this until 1984, after I had an operation and was feeling better again. Then, she told me what she had done and what they told her. It seems nothing made any difference, as long as there was collateral. Later, when we realized what happened, we talked to another party, that we knew was having trouble with them, and we found out that they had them sign blank papers too, and put things in the mortgage that they didn't know about. We went to see a lawyer about these things, but he told us that, if we sued them and lost, we might stir up a hornet's nest and they might foreclose on us. Then, we might lose the land, as we could not get other financial help. We did go to FmHA, but were told they could not help us because most of our security was in real estate, and they didn't have any money for real estate loans. The only thing we could have gotten from them was some low interest operating money, but we needed a letter from P.C.A., which they said they'd give us. When it came right down to it, they wouldn't do it. Then they would give us operating money, but they wouldn't give any breaks on interest. They wouldn't let us go to FmHA either. We had to pay high interest the last three years because they refused to put it on a long term and a better rate, when they pulled a shady deal to get the mortgage in the first place.

We are told, what we need is a good financial lawyer, but we didn't know where to find one, and they've got us sewed up so we have to turn in all our money. We don't have any money to hire a lawyer anyway.

In the winter of 1983, I took in a plan to buy some grass cattle. I asked them if they thought it would work, as I was looking for a way to turn a profit and lower that debt. They looked at it and said they thought that it would work great, but they would need a mortgage on our land, which they wanted the year before, but we didn't give it to them. The grass cattle would cost about $150,000 and the return would be about $73,000. I should have known that wouldn't work or everyone would have bought pasture cattle.

They claimed to be the financial experts, and that's why I took the plan to them for advice. I am convinced that they knew better and would have never approved of that, had they already had the land mortgage; but they didn't have it yet, and saw that as a way to get me to agree to give it to them. I still didn't agree to give them all of it only one part, which they agreed to. That's when they pulled the shady deal to get the rest. That loan would have never cash flowed when they gave it to us, but they wanted that mortgage, so they never mentioned cash flow. Then after they had the mortgage, they started to talk smart. Otherwise, they weren't hard to get along with.

In the winter of '84, they started talking cash flow. We didn't know what they were talking about because we hadn't heard the term before. When I asked what he was talking about, he explained it to me. I told him that loan would have never cash flowed when they made it. Then he told me they changed their lending policies.

What really burns me is I found out they changed their lending policies already in '83. They made some customers show cash flow, but those they didn't have a good enough hold on yet. They didn't say anything until they could get their real estate tied up, which should not have been legal because they were a short-term lender. They know people couldn't pay those big loans off in short term. Therefore, the Attorney General or someone should have stepped in and made them discontinue the practice and put the loans on long term. Then, they made me sell the cattle when the markets were depressed. Next, it was the pasture and hayland. Then, they wanted me to rent out the farmland, which I refused to do, but they wouldn't give me operating money. It was the 5th of May already, so I rented it. Then, they said they would have given me operating money, but they didn't tell me that until I rented it out. The only reason they said they would have given me operating money is because they didn't want me to be able to say they wouldn't give me operating money.

I did go to FmHA when they refused to give me operating money, but they said it was too late in the season already. By the time I filed application and they got it processed, it would be after the crop should be in the ground. Then, as quick as they found out that I rented it out, they started working on me to have an auction sale and sell the machinery. They were so high pressure, and had me so riled up, that I couldn't sleep or eat. I had the shakes and was a nervous wreck. They pestered me to sell that machinery. So, I finally did have an auction and sold about two-thirds of it. Then, they wanted me to sell some more land, which I almost did. You should have seen that old loan officer smile, when he thought I was going to sell more land. He would have put me completely out of business, if I had let him, and he almost did. He had me so drained mentally and physically, that it took me a long time before I got back to normal again. He finally moved on to the Fargo office, but he left the new loan officer with instructions he was to follow up on.

FARGO CLINIC,
Fargo, ND, January 26, 1987.

Re: Mr. Myron Tarno, Rte. 1, Box 96, Cleveland, ND, Fargo clinic No. 375940-4.

To Whom It May Concern:

Mr. Tarno was evaluated by me in August of 1983, for severe sleep apnea. It is important to look at this previous record when he was seen at the University of Minnesota, for a complete evaluation of the sleep apnea. His symptoms were very severe and were definitely life-threatening. He has an indication of hypoxia with the recommendations at that point for consideration for a palatoplasty and a procedure to improve his airflow. There is, without question, a correlation between his mental status and the disease of sleep apnea. The sleep apnea affected Mr. Tarno emotionally, psychologically and physically.

The patient subsequently underwent a palatoplasty and airway improvement procedure on 12-13-83. There was a tremendous obstruction noted which was relieved with the procedure. It took Mr. Tarno several months to get back to a near normal physical state and, at the present time, he is still rehabilitating. For him to be physically impaired with sleep apnea meant tremendous emotional and psychologic changes which, I believe, contributed to his well-being. I am sure the effect medically was substantial and in seeing the marked improvement he has shown, the answer is found in the mental status change he now experiences. I believe the sleep apnea was indeed life-threatening, emotionally draining, and physically disabling during the past several years. I am so happy to see he is now showing a marked improvement. I believe he can get on with his life and feel the changes he experienced during the early years of the 1980's was definitely the result of his sleep apnea.

I trust this will answer your questions and you understand my feelings regarding the severity of this malady.

Sincerely,

JAMES L. FRISK, M.D.

[Additional material submitted by Mr. Tarno:]

The family unit should be large enough to support a man and wife and their family, maintain and update a full line of machinery, and maintain the farmstead. The Family Farm Act should be very carefully written to close all loopholes. The Family Farm Act should be specific about a farmer and his wife owning so many acreas of cultivated land to qualify for price supports. If they have over the limit, they would not qualify for any price supports at all.

If the man or his wife owned other land, other than the family unit, and the family unit was of the limit in size, they could not get price supports on the additional land. They would have to sell the produce from that land on the open market or cash rent it.

Children would have to be at least 18 years of age and out of school before they could become an active partner of the farming operation. Also, all partners in the farming operation should be required to live on the land. Whether it be on the same farmstead or an additional homesite on the family farming operation. A son, however, could be a partner while in college, if he was an active member during the summer breaks.

A landlord would not be eligible for price supports, if he share rented. The reason being too many sidewalk landowners buying land to get price supports on their share of the grain. Although they could cash rent it, and the landlord should receive 100% of the money from any land retirement acres on a cash rent deal. Although, on a share rent deal, the tenant would receive his share on retirement or set-aside acres.

Partners in a family farm unit could consist of father and/or sons, brothers, counsins, nephews or anyone the farmer might choose as a partner on the farming operation.

OPTION

I feel the option to take the money up front on the acreage reserve for existing real estate or real estate secured debt is very important for several reasons. First, it would help relieve the farmer of some debt, putting him in a stronger financial position. Second, it would help the ag banks get back in a strong financial position, and since it was farm credit's policies that helped get farmers in the shape they're in. I think rather than give them a gov. bailout, which they wouldn't likely pass on to their customers, this plan would help the farmer directly. In return, the Farm Credit Service would heal themselves as farmers paid off their loans.

I don't think it would cost the gov. nearly as much as they are spending today because the gov. would get a lot of that money right back in taxes and FmHA loan payments. As farmers payed off FmHA, they would become less involved in direct farm loans. Their major function should be administering emergency and disaster programs, and gov. guaranteed loans through banks and savings and loan associations. As farmers retired real estate debt, they would have more money to update their equipment, buildings, and, in general, more to spend on consumer goods, thereby putting more people to work and getting the economy rolling again.

The acreage reserve would, I believe, tighten up supplies enough to raise open market prices to a level that would not cost the gov. much in price support payments, therefore, saving the gov. a lot of money to support the option. Also, the up front money could be drawn on existing debt only, and only that portion to retire the real estate secured debt, if the amount he could draw on the option after tax deduction was greater than the debt. They could not buy more real estate and draw on the gov. option to help pay for it. This is a debt relief program only. Also, this applies to farm real estate only, no houses in town, lake homes or other city or town property.

I believe another area the gov. could save millions of dollars is in grain reserve programs. I don't believe the gov. would have to have a reserve program. Farmers could hold their own reserve, and if there is a farmer reserve, each farmer should have the opportunity to put 20% of his production in the reserve on a three-year revolving program, the price not exceeding 15¢ a bu.

Large farms, that do not qualify for gov. programs, should not be allowed to participate in the reserve. I know farmers that receive hundreds of thousands of dollars in grain reserve payments. This is totally unacceptable. Also, commercial warehouses should not receive more than 20¢ a bu. for gov. storage, and the big export outfits, like Continental, Cargill, Bundy, Atwood, Larson, and other big corporate outfits, should not be eligible to receive any gov. storage payments, or, at least, at a very realistic price, like 8–10¢ a bu.

The two-stage price support program that I am proposing is very important, as the smaller farms get the bigger benefits, and the bigger they get, the less the price support becomes. Also, any violations in the price support, storage, or any other area of the program should have a very severe penalty that is spelled out in the program and promptly carried out on any violators. I believe the Crop Ins. program is a tool the farmer needs and should be kept and improved upon.

WILDLIFE

The acreage reserve should provide some management practices for wildlife. One should be a requirement to mow off ¼ of the reserve acreage each year on a rotation, after about the 10th or 15th of July, when the birds are done hatching. Then, the grass would grow up on the mowed portion again to maybe 6–10 inches. This would stay green and provide a place for the wildlife to feed in the winter, and it would not hold so much snow that they could not find or paw for something to eat. Also, that tall stuff fills up with snow, and the animals won't go in there. There is nothing there for them to eat anyway.

Another practice that should be required is the farmer seed a wildlife food patch on the acreage reserve of about 5% of the amount of acres he has in the acreage reserve program. This could be rotated or the same patched seeded year after year, whichever the farmer prefers to do. I suggest seeding either barley, wheat, corn, sunflowers or millet on the food patches. Also, at least part of the food patch should be swathed every fall, so the wildlife could dig in the windrow and find something to eat in the winter. Also, the birds could crawl under them for shelter.

I believe another good wildlife practice would be to lease sloughs to the gov. on a 10–20–30 year lease. This program could be handled by the U.S. Wildlife Service. The sloughs would be classified as to their agricultural usefulness. For example, a Class 1 slough would be one that can be hayed nearly every year. This type of slough would be worth about $10.00 an acre. A Class 2 slough would be one that can be hayed or grazed about half the time. This type of slough would be worth about $7.00 an acre. A Class 3 slough would be one with little or no ag. use. The lease price would be about $4.00 an acre.

It would be mandatory for the farmer to put in ½ acre of dry land for every acre of wet land, with an option to put in up to three acres for every acre of wet land. The dry land could be prairie land, tame grass land, or cultivated land. The farmer could put this land in on a bid basis or negotiate with the U.S. Wildlife Service. Also, maybe with the number of acres in the wildlife and acreage reserve programs, there should be some kind of predator program also; like allowing fox and coyote hunting by air or snowmobile, and a bounty system for skunk, badger and raccoon.

On the acreage reserve program, the farmer should not be required to seed all the reserved acres to grass or legumes in one year. I suggest over a three-year period. Although, he would have to control the weeds, either by mowing or chemical control. The reason for not seeding all the first year is to spread the cost of seeding over three years, and also spread out the availability of seed.

In summary, I believe this program will cover a vast range of services, including price supports on a deescalating scale, and a limit on the bu. of grain that would be supported by the gov. on each farm. The elimination of price supports or other gov. aid to farms larger than family or partnership farms in size. Some direction as to what a family farm should provide and some direction as to the size a family farm should be in cultivated acres. The elimination of acreage controls. A substantial amount of debt relief for farmers and financial institutions. Some direction as to the role of the Farmers Home Administration. An acreage reserve program that is large enough to control supplies, and a pricing program that would spread seeded acres out over a larger number of crops; therefore, elimination of creating surpluses of some crops, while shortages of others. Elimination of, or at least a sensible grain reserve program, that would set the price per bu. paid to farmers that qualify in the farm program, and commercial elevators at a reasonable rate, eliminate large farming operations, corporate elevators, and exporting companies from the business of storing grain for the gov. Also, exporting companies might work a little harder at grain exports, if they didn't have the gov. supporting them with gov. grain reserve payments. If gov. storage is necessary to these outfits, it should at least be very realistic, like 8–10¢ a bu.

I believe this program would save the gov. a lot of money. When considering the money they would save in support payments, due to the tightening of grain supplies as a result of the acreage reserve and pricing system. what they would save on the grain reserved system, the money coming in from FmHA payments and taxes from the acreage reserve option, the acreage reserve and slough management programs would provide a vast wildlife program. The results of all these programs would provide many job openings, resulting in a strong national economy again.

EXPLANATION

The number of bu. supported vary from one crop to another. The reason for this is to try to keep supply more in line with demand. For instance, rye has a lot less bu. supported than wheat, because we don't need as many bu. of rye as we do wheat.

Some people think the support prices should be higher, but they can't be too high either, if you expect to export without costing the taxpayer too much money. The farmer, also, needs enough to run his operation and make a decent living. The family unit will vary in size, depending on the locality. All units are based on cult. acres. Prairie pasture land can be in addition to cult. acres. Prairie grasses can be planted to establish prairie land.

Children have to be at least 18 years of age to be a partner in the operation. This is so a farmer can not declare his children partners in order to operate a larger unit. All partners, also, have to be active in the operation. The reason for all partners having to live on the land is to keep people on the land and active in the community.

On a cash rent deal, the landlord gets all the money from the acreage reserve, but he has to pay the tenant for seeding it, weed control, and the grass seed or do it himself. The tenant does not pay any rent on those acres.

On a share basis, the tenant shares in the reserve payment. They share in the grass seed cost, and the tenant does the work. The units are called partners. This means anyone the farmer may choose, not only family members.

The reason for the acreage reserve is to curtail production and, hopefully, drive up open market prices enough, as to not cost the taxpayers so much in price support payments.

Some people don't like acreage reserves and think we don't need them, but the truth is we just raise too much grain in this country, if allowed to produce at full capacity. While grain exports are fine, there just are not enough export markets available to fill everyone's needs, and those excess bu. are expensive to store, whether it be the farmer, the government, or elevators. Therefore, we do need a reserve program.

If cost of production goes up, a certain percent the price per bu. will have to be adjusted by the same percent, to be adjusted every two or three years to keep up with inflation. The bu. limit never has to be changed. This is adequate, even through the largest partnership farms.

This is a 10-year program. The reserve acres have to be seeded to grass or legumes. I do not think 20% mandatory is too much, as we all know a farmer's poorest acres will go in the reserve first, then he will start dipping into the better land. We have to make sure this tightens up supplies enough, so the taxpayers get something for their money, like savings in grain price supports and grain reserve payments. It is better to have a paid acreage reserve and a little lower price base. If the price gets too high, the fertilizer, chemical, seed and machine companies will think the farmer has got money again, and they will keep raising their prices. Then, we will just have a new round of inflation again. Also, the farmer with little debt can live well on the prices I have designated, and the option will help those with heavier debt, so they, also, can make it better.

The reason the acreage reserve price is only 40% is because the farmer has the expense of seeding those reserve acres down and controlling any weed problem over the length of the contract, and also maintain the wildlife practices.

A stipulation to the requirement that the operators or partners have to live on the land can be appealed, if the man is serving in another ag-related capacity, like a national farm organization.

The government could also have a beginning or young farmer program that could be administered through FmHA with the money coming from the banks or savings and loan associations with the government picking up a percentage of the interest and guaranteeing the loan. The government should cut out some of the red tape and provide some fieldmen through FmHA to help the banks with some of these guaranteed loans, like paperwork, field visits, and things of that nature; someone for the farmer to call on if he's having a problem. I believe this would work better than direct FmHA loans because it should speed up the process of getting a loan approved and there wouldn't always be that problem of waiting to get money appropriated.

WHAT IT DOES

1. Voluntary, does not force any one to participate.
2. Gives the smaller farmer a price advantage through a two-stage deescalating pricing system.
3. Eliminates acreage controls.
4. Spreads the seeded acres over a larger variety of crops by having them priced so the price per acre will be about the same for all crops, thereby keeping supply more in line with demand over all crops.
5. The family farm unit and partnership units will more or less determine the number of bu. a farmer will grow of each commodity.
6. Limits the bu. of each commodity a farmer can get price supports on, but does not limit the bu. he may sell on the open market.
7. If the farmers does not want to sell on the open market, he can bin his excess bu. for a leaner year, if he chooses to do so, thereby creating a farmer-owned reserve.
8. Provides a sensible grain reserve that would serve the country's needs, put the big export elevators more in the business of exporting grain, and a lot less in the business of storing grain for the government, thereby saving the government millions of dollars on grain reserves.
9. Has a family farm program and partnership program based on cultivated acres that would put a cap on the number of acres a farm unit can have, if he wants price supports.
10. Enacts a paid acreage reserve program that should raise market prices to a level that should not cost the government so much in private supports.
11. Has an option that would put the farmer and lenders in a stronger financial situation, and benefit other segments of the economy as well.

12. Provides for a vast wildlife and wetlands program that should have great public benefit giving the public something for their tax money.
13. Has a stipulation that would keep the people on the land, and, therefore, more active in the community.
14. The structure of the program should eliminate the need for referendums.
15. The program is simple and easy to understand.
16. When taking everything into consideration, would provide a lot of benefits at a reasonable cost for what it does.

INDEPENDENT COMMUNITY BANKS OF NORTH DAKOTA,
Bismarck, ND, February 9, 1987.

Re Chapter 12, Bankruptcy Code.

DEAR SENATE AGRICULTURE SUBCOMMITTEE MEMBERS: I serve as counsel for the Independent Community Banks of North Dakota. Our member banks are the financial institutions that deal most closely with farmers on a day-to-day basis. Our banks have seen first hand the problems with the declining agricultural economy, and have shared with our clients the pain and suffering associated with failing farms and failing farm businesses.

We have also watched the application of the United States Bankruptcy Code to the farm situation, and have generally seen that it is unsatisfactory in its application to farm problems.

The new provisions of Chapter 12 will make agricultural lending more difficult for banks such as ours. The provisions that allow a debtor to unilaterally write down debts to the fair market value of the security will force our banks to take extraordinary effort in future farm loans to assure that we are fully secured, and perhaps over secured. Because of declining land values, and declining value of farm machinery, this will make full loans beyond the reach of most small farmers. We then face the situation where farmers will only be able to fund perhaps 50% of their operating loans, rather that 80% to 100% of the loans as in the past.

The one-sided write downs and valuations have also essentially removed the creditor from the valuation process, and thus have removed a vital element in that process. The valuation process itself, because of recent bankruptcy problems, is a vicious circle. With the declining farm economy, there have been fewer and fewer land sales, and thus fewer bench marks for appraisers to use in establishing values. What sales there were were usually forced sales at much below the going price. The appraisers then take these unnaturally low prices, and use these as the basis for additional valuations, which become even lower, and so forth and so on.

Another real problem with Chapter 12 is the trustee system wherein the trustee will get 10% of all payments. It is our understanding that it has not been fully determined as yet where this 10% comes from; i.e., the bankruptcy estate or the payment to the creditor. In either case, we believe that attempts to make the bankruptcy court system pay for itself in this method is not proper and will lead to many problems. It is ironic that Congress has seen fit to attempt to make the bankruptcy system, which is by its very nature beset with financial problems to begin with, be the only portion of the federal court system that attempts to pay for the court system itself. Civil and criminal litigants in the federal system are not paying for judges and trustees, but debtors and creditors in the bankruptcy system are.

Finally, the drastic write-down provisions will seriously affect the loan portfolios of small, rural banks, and put them into a precarious situation just at the time when rural America needs the strength of small, hometown financial institutions.

For the past one hundred years, North Dakota's hometown banks and their customers have worked out their financial problems together. They have faced many crises and have survived. The bankruptcy code, and most particularly Chapter 12, has destroyed that relationship and we do not feel it will work to the benefit of either the hometown banks or the farmers.

Thank you for your time and attention.

Sincerely,

ALBERT A. WOLF, *Counsel.*

STATEMENT OF PETER NYGAARD, IMMEDIATE PAST PRESIDENT, NORTH DAKOTA WHEAT PRODUCERS

Mr. Chairman and Members of the Committee: I am Peter Nygaard, a small grain farmer from Williston in the nothwest corner of North Dakota. I would like to take this opportunity to welcome you to ND and thank you for taking the time from your busy schedule to address this important issue. I am here tonight representing the North Dakota Wheat Producers. The North Dakota Wheat Producers is a state organization whose primary responsibility is to represent the farmers of ND on legislative issues pertinent to the Wheat Industry. We are one of the states that comprises the National Association of Wheat Growers headquartered in Washington, D.C.

I am here today to speak to you about the North Dakota Wheat Producers concerns regarding Federal Farm Policy. Every year farm policy is reviewed. I believe that, partly farm policy is reviewed yearly because it is necessary to fine tune programs but also because farmers and Congressmen feel that domestic farm policy is the only area we feel we can affect change. Historically Federal Policy is revolutionary rather than evolutionary and also federal farm policy is shaped by the circumstances present in agriculture at the time of enactment. The present program was developed within these historical perspectives, and I also believe that any future programs will be so restricted. I don't necessarily agree with this method of policy development, for I believe it attempts to provide a short term solution to a long term problem.

In 1985, when the Food Security Act was developed, controlling production, managing surplus and maintaining income were the driving forces in our legislation. Today those same forces are with us and any new program will have to deal with the same issues present in 1985. The present program is flawed in many ways and definitely needs some fixing. This is a terribly complex program. Any farmer who has been into their local ASCS office to sign up can verify that fact. As I picture the present policy there are three parts to this program: Part 1 consists of getting farmers to participate; Part 2 consists of acreage retirement as in the Conservation Reserve Program; and Part 3 consists of export market development. Farmers are signing up for the program in record numbers; and acres are being committed to the Conservation Reserve Program at an acceptable rate. However, export development is lagging. I feel that farmers have done their part, that is participate and retire acres and now it is time for the government to do their part, that is market development, market the product.

Because we are dealing with a program that supports our income and has some market development programs in place, the North Dakota Wheat Producers urges the 100th Congress to leave the present program in place, and if deemed necessary tune-up only parts of the program. Specifically we need to address the export programs again. The present administration has been very relaxed in its commitment to agriculture and market development, although recently there has been some increased activity in the EEP programs. If Congress needs to change the current program direct their efforts in that direction, with the EEP we have the means to compete on the world market but how can we expect to compete if our government insists on getting permission to sell in a market from our competitors before we approach the market. Along this line I would hope that the Senate would support Senator Baucus's bill that would expand the EEP program to all purchasers. No matter what policy we talk about or implement the surplus problem will never be corrected by the United States alone. All those countries who contribute to the world grain surplus must sit down and begin to address the surplus issue. At this time no other country in the world is reducing planted acreage. Farmers have accepted the challenge to change and to become competitive in the world today. We need a stable farm policy from which to launch our attack on the world market and the present program while flawed offers the ND farmer a place to begin to regain his world market share. Change will not happen over night but we already see agriculture beginning to rebound. Those individuals or organizations that insist on opening the present program must be prepared to bear the responsibility if farmers lose benefits. Agricultures problems are beyond just agriculture, our problems are shaped by macroeconomic and global developments and until some of those issues are addressed no single domestic farm policy will cure us.

Thank you very much for your time and I will be happy to answer any questions.

STATEMENT OF HON. JIM BROKAW, A NORTH DAKOTA STATE REPRESENTATIVE

For the record, I am State Representative Jim Brokaw representing District 28. It is with great concern for what is happening to agriculture in North Dakota and, for that matter, in the whole United States.

I am seeing the American dream being torn apart at the seams. I am seeing my neighbors—friends of many years losing their land. After many years of toil and hard work, they are being uprooted—told they are poor managers, etc. They are not just the young; a great many of these people are from 45 to 65 years of age. Yes, 45 to 65. They must have done something right to be there this long.

Why are they failing? The answer is that the rules have been changed in the middle of the game. When many of the farmers expanded to accommodate a son or son-in-law in the 70's—the interest rates were allowed to run wild and on top of that, oil and fuel prices tripled and quadrupled—this drastically affected all input to agriculture without increasing the price of grain, milk, or other commodities that the farmer had to sell. Apply these same conditions to any other business, it will spell failure.

The farm failures in North Dakota are of epidemic proportions. I am attaching a couple of ads that appeared in the Fargo Forum of September 1986, that just deal with the choice pieces of land that have been acquired by Farm Credit Services, also known as Federal Land Bank. They acquired this land through foreclosure, deed-back, or quit claim deed. It is not a complete list of the land that they have acquired, it is only the choice pieces. I emphasize that this is land acquired by *ONLY* Farm Credit Services, it does not include the land acquired by Farmers Home Administration, banks, insurance companies, or other lending agencies. In my county, alone, over 150 quarters of land are listed at the Register of Deeds as lost to lenders. There are many more in various stages of foreclosure, deed-back, or quit claim.

In closing, it's much better for all of America to have a healthy agriculture and to keep as many people in the rural areas as possible. Getting rid of farmers does not get rid of surplus, as the land is still there and the production is still there.

If you, eventually, want to balance the budget, put the family farmer back in business and you will accomplish it. Follow the policy that we have now and it will continue to be a disaster for the farmer, businessman, my neighbor, and friends.

STATEMENT OF HENRY MERTENS, DEVILS LAKE, ND

My name is Henry Mertens. I'm from Devils Lake, ND. I farm in Ramsey County with 3 brothers. We grain farm and also have dairy and beef cattle. In our farming operation we raise feed for our dairy cattle on tillable acres. This is land that if planted to a legume for two years it comes off our ASCS acres. We feel that since these are acres that could be used for wheat or feed grain acres we are being penalized if we cannot use these acres for haying or grazing as they do in the southern states. I know this is up to our State ASCS Committee to approve in 1987 and they for some reason have decided not to allow it. In 1986 USDA had control of this and approved it, which left us on a somewhat equal basis with farmers that just grain farm.

Without this haying and grazing privilege we find it impossible to farm within the farm program, and must plant every open acre to wheat to make up for the program payments we miss.

We are not alone in this situation, every farmer with cattle in the Northern States are in the same situation. I feel this is destroying the concept of the farm program. Since these farmers have already taken acres off their wheat and feed grain base, I would like to request that haying and grazing privileges be made a permanent part of the farm program making its policy more equal to all farmers.

STATEMENT OF HON. KELLY SHOCKMAN, A NORTH DAKOTA STATE REPRESENTATIVE

My name is Kelly Shockman. I am a farmer and live near LaMoure, North Dakota. I also represent the people of North Dakota, District 28, in the North Dakota House of Representatives.

First, I would like to say the Food Security Act of 1985, in my opinion, and based on the hardship this law has created in rural America, is the worst piece of legislation passed by the Congress of the United States in recent years. It should be renamed "The Family Farm Destruction Act of 1985" and it should be changed.

I think most people in rural America now know that this Act is a devastating plan to deliberately remove many family farmers from the land and our rural communities. The primary method to accomplish this is to lower the basic commodity loan rates, support farm income to a limited degree with Federal transfer payments to farmers, then gradually reduce the government transfer payments to zero and leave the producers of agricultural commodities naked in a market that is dominated by a few large domestic and multinational corporations.

I do have two specific recommendations for the Committee regarding the 1985 farm bill. I, also, understand that the President has already said that he will veto any attempts to change or modify the 1985 farm bill. This same President also, has said that "we should keep the grain and export the farmers" and I think, he meant it.

(1) Immediately raise the loan or support rate on all basic farm commodities. This would increase farm income and cut the level of federal dollars to supplement "Ag" income. This would help stop the attempt by this Administration to orient the public against farmers by using the high cost of the farm bill as an excuse to kill all future agriculture legislation.

(2) Put a workable and honest limit on these outrageously large payments to corporations and large farmers. These are also used by the current Chief Executive to anger the general public against farmers.

I would, also, ask you to help our producers of food in these important areas..

(1) America is the dumping ground for all free or excess food in the world. It would be in the best interest of all Americans to protect their food supply and assure consumers that they will always have an adequate supply of wholesome, reasonably priced food. Our agriculture producers and consumers need protection from being forced to be dependent on foreign food producers. Levies and duties should be high enough on imported food to guarantee that our domestic food producers can fairly compete in our domestic market.

(2) More honesty in reporting production agriculture income and farm program costs. Two examples of this are: Approximately $12 billion of non-money income is credited to net farm income figures. This non-money income credit is for meat and garden products produced on our farms, for wood we burn, and for rent, which we do not have to pay for living in our own homes. Also, money spent by Commodity Credit Corporation for loans to farmers on their commodities is always reported as an expense item in the budget, when in reality, these monies are paid back to the Federal Treasury with interest, in many cases.

(3) Help recognize and dispel the myth about free markets in agriculture commodities. In these days of instant communication, data processing, embargoes, unfair duties and levies, government influence and intervention, the withholding of food used as a weapon in diplomacy and economics, there is no such thing as a free market.

(4) Agricultural food producers in America have been trapped into believing we must depend on export markets to achieve reasonable prices. Every nation strives to be self-sufficient in the production of their own vital food supply. Many nations have already achieved self-sufficiency in their food production and have excess food production, which they can and do dump on the world market. People and nations buy food only because they have to have it, not because it is cheap and plentiful. In the long pull, our domestic market is our only true and meaningful market for American food producers. We ask your help in bringing out this important truth and in protecting our domestic food market for domestic food producers.

In closing, I want to urge you to recognize that we have a major disaster of the first magnitude in rural America, caused by low farm commodity prices. The vertical and horizontal transfer of wealth from rural America, as a result of low agriculture commodity prices, is a cancer that will adversely affect our entire economy, if allowed to continue. This transfer of wealth is causing the loss of our people from the land. In the long pull, the land will be farmed by someone, but it is in our best interest to preserve the Jeffersonian and Founding Father concept of promoting and enhancing small free-holders or family farm owner/operators to produce our food and keep our people on the land.

Thank you for the opportunity to testify before your committee.

RED RIVER VALLEY SUGARBEET GROWERS ASSOCIATION,
Fargo, ND, February 9, 1987.

Hon. PATRICK LEAHY,
Committee on Agriculture,
Washington, DC.

DEAR SENATOR LEAHY: Mr. Chairman and members of the committee, my name is Patrick Mahar from Cavalier, North Dakota. I am President of the Red River Valley Sugarbeet Growers Association.

We raise sugarbeets for American Crystal Sugar Company, which is a farmer owned cooperative in Moorhead, Minnesota. This cooperative is owned by 1,760 growers in the states of Minnesota and North Dakota and they comprise the membership of the Red River Valley Sugarbeet Growers Association.

It is our position that the current United States Sugar Program not be changed and be continued through the existence of the Omnibus Farm Bill, as it was passed and became law.

Sincerely,

PATRICK MAHAR, *President.*

STATEMENT OF BRUCE ANDERSON, PRESIDENT, WARD COUNTY FARMERS UNION

Mr. Chairman: The Ward County Farmers Union is a General Farm Organization representing approximately 1,900 Ward County farm families. The Board of Directors at their regular meeting, February 9th adopted the following statement to be submitted as written testimony at the Senate Agriculture Committee Field Hearing, February 9th in Bismarck, North Dakota.

We believe that the 1985 farm bill has become the most expensive, most complicated and least effective farm bill in history.

We believe the 100th Congress should open the farm bill with the intent to significantly alter it's direction.

A revised farm bill should target its benefits to family sized farm units. By doing so the cost to the Federal Government would be greatly reduced.

STATEMENT OF N. ROLLIE LAKE, PRESIDENT, COMMUNICATING FOR AGRICULTURE, INC., FERGUS FALLS, MN

Thank you Mr. Chairman and members of this committee. I want to commend you for holding this important hearing today on the condition of agriculture and its effect on rural America.

Communicating for agriculture's purpose here today is to present an overview of a debt restructuring proposal, a positive approach to an existing problem, the need for restructuring and the benefit it would bring to America's farmers and ranchers.

Since the 1970's, the Federal Government, agricultural lenders and agricultural borrowers all believed that to survive and provide sufficient food and fiber, family farmers and ranchers had to expand production abilities. All three worked together to accomplish increased acreage and production. Because of such success there are now surpluses and depressed prices.

It took cooperation between the Federal Government, agricultural lenders and farm and ranch borrowers to accomplish our current dilemma and will take the cooperation of the same three to solve the present agricultural crisis.

It is the commercial family farmers and ranchers that are most troubled. They depend almost totally on farming and ranching for income, but lack the financial assets of larger farmers and ranchers and the off-farm income of smaller operators. They are higher efficient family operators with an immense stake in local communities. They are in need of a debt restructuring program.

The CA modified debt recovery program is based on the most significant needs of family farmers and ranchers—to stabilize debt loads and ease cash flow.

Thank you.

[The additional material supplied by Mr. Lake has been retained in committee files.]

CRARY, ND, *February 7, 1987.*

DEAR CONGRESSMAN DORGAN: I am writing this letter to advise you of a very serious problem in determining the base acres for wheat and barley in North Dakota, the problem has become critical due to the passage of the 1985 Farm Bill.

First, I will tell you in all sincerity that our base acres on barley and wheat are so low that my son, who is farming 1120 acres of land (967 acres of cropland), will not be farming in 1987. Our lenders do not care to lend money to put in high risk crops such as sunflowers, mustard, etc., because of the low prices being paid for these crops. We are in dire need of more barley and wheat acres. There are many young and small farmers facing the same problem.

In our area, many of us farmers raised a lot of specialty crops such as sunflowers and flax so as not to contribute to the surplus. Now, especially under the 1985 Farm Bill with the 5 year average, we are being penalized severely. I have spent a great deal of time on the telephone calling the A.S.C.S. officials in Fargo and Washington, also, our Congressmen and Dept. of Agriculture with little or no success.

My son Brian put in an appeal for more barley and wheat acres in 1985, but was denied by Arlo Gebhard, the office manager. I am sure this appeal never appeared before our County Board. In 1986 my son again appealed for more barley acres and Mr. Gebhard called on the telephone and said that he would give my son about 50 acres more barley if he would give up his 109 acres of corn, (109 planted acres—corn base 136 acres). My son refused such a one sided swap and according to the A.S.C. officials, that made him ineligible for appeal for more barley acres. This appeal was cancelled without being sent before the County Board.

My son has a corn base of 136 acres and can seed 109 acres. However, this payment that he receives from his corn is minimized when comparing his debt and financial situation to other farmers in our local area. He is the only young farmer to start up farming in our township in the part five years. Due to hail in 1985 and 1986, and not being able to harvest a bushel of sunflowers in those years he is in a very serious financial bind. He is considered a good farmer by his neighbors.

This low barley and wheat base also reduces the price a farmer can receive for cash rent, as well as lowering the value of land if you wish to sell. A corn base means nothing in this area to a prospective buyer because this is not a corn raising area. Corn is an expensive crop to grow and harvest.

I hope your office can help us in this matter as we are desperate. We have the lowest barley and wheat base in Nixon Township, and one of the lowest in Ransey County. Due to weather conditions, hail and rust disease we have not harvested a bushel of sunflowers in 1985 and 1986, but if we had a fair shake for barley and wheat we could possibly survive.

There has to be a change in the Farm Bill as far as acres for program crops that are fair for all farmers. I am enclosing some information showing the base acres of farmers in my local so that you can see the difference. The farmers who raised a lot of specialty crops in the past years are being discriminated against, we helped to keep the surplus down, but now we are at the bottom of the payment list because of our low bases.

If I can be of any help in the future regarding this problem we are facing please contact me, (ph. no. 701-398-3472 or 398-5101) and I will be happy to offer any assistance I can.

Thank you.

Respectfully yours,

GLEN W. BURT,
Farmowner,
BRIAN G. BURT,
Farmowner/Operator.

[The exhibits furnished by Glenn and Brian Burt have been retained in committee files.]

HOUSE OF REPRESENTATIVES,
STATE OF NORTH DAKOTA,
Bismarck, February 9, 1987.

Hon. PATRICK LEAHY,
Chairman, U.S. Senate Agriculture Committee,
Washington, DC.

DEAR MR. LEAHY: Thank you for taking time from your busy schedule and visiting our agricultural state. I realize that those of you who serve us in Washington, like us in State Government, are inundated with legislation, which attempts to resolve the numerous problems facing our constituents.

It seems to me most of our time is spent in treating the symptoms of our problems and not the cause. After many years of study and research, I have come to the conclusions listed in the articles enclosed. I hope you will take time to read through this material and would be very interested in your reaction.

Sincerely,

RAY MEYER,
North Dakota State Representative.

Enclosures.[1]

---

[1] Mr. Meyer submitted the same material in a letter to Senator Conrad, dated February 9, 1987.

[From the Bismarck (ND) Tribune Feb. 15, 1986]

MONEY HAS BECOME MASTER OF MAN

Nearly six years ago President Reagan began campaigning by telling the American people that the way to stop inflation was to stop deficit spending. He also told us that if we elected him he would cut taxes, cut spending and balance the federal budget.

However, in the past five years taxes have increased—the burden has been shifted to less obvious taxes—spending has increased, inflation has been reduced but is still with us, and the federal deficit has more than doubled. It took over 200 years for the deficit to reach $1 trillion and under President Reagan's plan it took only five years to reach $2 trillion.) Inflation has been reduced to about 4 percent per year, not as a result of government policies, but as a result of monetary policies over which the government has little or no control.

Recently another plan to balance the federal budget by 1991 was passed by Congress and signed by the president—the Gramm-Rudman bill. The proponents are telling us that the plan will balance the budget by 1991. Has anyone told us what the deficit will be by 1991? The annual deficit will add nearly another trillion dollars by 1991. Therefore, even if Gramm-Rudman is implemented and followed through, we will be facing a nearly $3 trillion debt by 1991.

Business, industry, and labor across America and the United States government have all been engulfed in a Catch 22 situation. After we add all the interest and taxes in the system to our products, we have an end product that the consumer cannot afford to buy and the producer can't afford to produce. Business and industry blame labor for their problems and labor blames business and industry. The U.S. government cannot balance the budget by reducing funding for all the military and domestic programs without causing a total collapse of the entire economic system. The government cannot extract enough taxes from the system to adequately fund necessary programs and pay off the deficit without causing the system to collapse.

The U.S. government and the American people have become servants of a monetary system that throughout history has caused the collapse of economic systems, dating back to biblical times.

Is it not time that our elected officials tell the American people the truth about our present situation? Is it not time for our elected officials from both parties to admit that their plans have not and will not work? Is it not time for them to act positively, instead of reacting to an impossible situation?

As a beginning, I think the American people should insist on a national debate on our monetary system by elected officials at both the state and national levels.

Two of our nation's greatest presidents expressed eloquently their views on monetary systems. Thomas Jefferson warned us of the problems we would encounter with our present monetary system in this statement: "If the American people ever allow the banks to control the issuance of their currency, first by inflation and then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children will wake up homeless on the continent their fathers occupied. The issuing power of money should be taken from the banks and restored to Congress and the people to whom it belongs."

Abraham Lincoln explained a balanced budget without taxes when he stated, "The government should create, issue and circulate all the currency and credit needed to satisfy the spending power of the government and the buying power of the consumers."

The privilege of creating and issuing money is not only the supreme prerogative of government but it is the government's greatest creative opportunity.

By the adoption of these principles, the long-felt want for a uniform medium will be satisfied. The taxpayers will be saved immense sums of interest. The financing of all public enterprises and the conduct of the treasury will become matters of practical administration.

Money will cease to be master and become the servant of humanity.

[From Truth In Money, Bulletin No. 18]

ARE FARMERS FAILING, OR IS THE MONEY SYSTEM FAILING THE FARMERS?

"If you ate today, thank a farmer." This is the bumper-sticker message popular with farmers in the mid-west these days. By this adage there are a couple of hundred million Americans who ought to be thanking a handful of round-the-clock, round-the-year farmers who produce the nation's food.

But judging by the current rate of farm foreclosures, the next popular bumper-sticker is going to read: "If you didn't eat today, blame the money system."

The American money system is beginning to destroy what years of hard work and technological advancements have accomplished in making the American farmer the most productive in the world.

How can this be? The answer is simple.

The American money system is based on debt. A well-known economist puts it this way:

"Few people understand that all our money arises out of debt and IOU operations." (Paul Samuelson, Economics, page 300).

It may sound like "Ripley's Believe it or Not" but in America today money comes into existence when someone, somewhere goes to a loan-officer of a commercial bank and is granted a loan. The cartoon, reprinted from a booklet published by the New York Federal Reserve Bank, illustrates this important, but generally unknown, fact.

After the terms of the loan are agreed, the bank simply writes some numbers to the credit of the borrower and thus creates the loan principal. The numbers go into the borrower's checking account and, if he is a farmer, they are spent for seed, fertilizer, and equipment. The credits the bank creates are good, spendable credits, even though they are created out of nothing by a private bank.

Of course a commercial bank doesn't lend the farmer bank credits on the basis of the farmer's good looks. The farmer has to put up collateral for the loan he gets—land, machinery, cattle, a house.

The farmer comes to a commercial bank with the proof of his ownership of an asset and the banker turns this asset into checkbook credit at the stroke of a pen.

THE FARMER DOES THE BANKER A FAVOR

In fact, the farmer does the economy and the banker a favor by coming into a branch bank and pledging his collateral for checkbook credits. If farmers (and thousands of other businessmen) didn't borrow from the banks, the money supply would quickly decline and everyone would feel the effects in recession and unemployment. Without borrowers, the banks would have no outlet for their created credit and they would have to close up shop.

To the banker, the farmer's loan is an asset because at any time the bank can call back the loan. If the farmer can't pay the credits back, the bank can foreclose and the farmer has to pay with his pledged collateral. Either way, the farmer has to pay according to the documents he signs when he gets the loan. The bank gets its credits back as the loan is repaid, plus interest, or else the bank forecloses on the farmer's pledged collateral.

A DRAUGHT OF MONEY

The curious fact about the United States money system is that when the commercial banks, including the Federal Land Banks and Production Credit Associations, create the credits to lend to the farmers, the banks create only the loan principal—the actual amount the farmer borrows. The money which is needed by the farmer to pay the interest on this borrowed money is not created within the system when his loan is created. So altogether there isn't enough money created in the system to allow all borrowers to pay back the principal they owe to the banks plus all the interest. Somebody, somewhere is always coming up short. Whoever this might be has to borrow just to pay interest. And once someone begins borrowing to pay interest, it becomes harder and harder to get out of debt.

Now, if farmers could pay back their loans and interest with soy beans, wheat, cotton or sides of beef, the money system of the United States would be in better shape than it is today. Unfortunately, commercial banks create bank credits and they want bank credits back. So the farmer has to work round-the-clock in order to grow his crops and sell them on the market to get hold of enough checkbook credits, and/or cash (checkbook credit printed on paper), to pay off his debts.

As various agricultural policies of the government hold down the prices paid to the farmer for his crops, it becomes harder and harder for him to break even, say nothing of staying profitable and thus able to have enough checkbook credits to pay back his loans to the banks.

To repeat, if the farmer could pay off his loans in crops; the system might hold together a little longer. But because of the nature of the present system and the nature of various forces holding prices down, the farmer is caught between his debts and a hard place.

SABOTAGED BY THE INTEREST RATE

As many farmers know, the early 1970s saw some good years. Interest rates were reasonable, the weather was favorable and prices were at levels which allowed for a profit.

But the 1980s brought reversals on all three fronts. Interest rates went over 20%, the weather became uncooperative and prices for both crops and land dropped.

The key factor, however, which has meant disaster for thousands of farmers over the past three years is, of course, high interest rates.

These rates are set solely and exclusively by the commercial banks without consultation with the President of the United States, the Secretary of the Treasury, any Congressman or State Governor.

Congress responded to the serious conditions caused by high interest, low prices and bad weather with several programs which were meant to help the farmers out of their plight. Unfortunately, these programs had the effect of increasing the country's debt!

A REAL SOLUTION

If farmers want to lobby their Congressmen, the President and the Secretary of Agriculture for real agricultural reform—reform which will help the whole country and won't add to everyone's 1040 tax bill—they can lobby for noninterest loans direct from the Treasury. According to the Constitution, the Congress has the authority and power to create money as well as regulate its value. Despite the fact that the private Federal Reserve and commercial banks have assumed the power to create money, the Congress can still direct the Treasury to create good solid Treasury credits and spend them into circulation for programs vital to the national interest.

There is no doubt that agriculture is in a crisis. So it is in the national interest for Congress to do something about it. Creating Treasury credits to lend at no interest to the farmers is a perfectly legitimate use of the Constitutional prerogative to create money in order to promote the general welfare of the people.

The Congress could even provide for farmers to pay back their no-interest loans in produce. In this way the money created by the Treasury would stay in the economy and be available for other people to use to pay their debts, interest, and taxes. And the government could use the farmers' produce to maintain strategic supplies, feed the army and distribute to the growing number of inner-city hunger projects.

There is no doubt that American agriculture needs some kind of government help to get it through the crisis caused by high interest, low commodity prices and falling land values. But what American agriculture doesn't need is government help which increases the country's total indebtedness and which ultimately drives more farmers into bankruptcy. Debt-free, interest-free money created by the Treasury to meet the present need will buy the time the Department of Agriculture needs to develop a long-term reform program.

The emergency issue of debt-free, interest-free money to farmers will buy the time needed by the Congress to implement a Treasury-money system similar to the Lincoln money system—a system described in detail in *"The Truth In Money Book."*

CONCLUSION

America's farmers aren't failing. America's money system is failing and it is taking the farmers down with it. The farmers are the first to feel the breakdown in the debt-money system for three reasons: 1. their seasonal dependence on borrowed money; 2. the strategic importance of the crops they produce; 3. the pressures which are artificially holding prices of agricultural products below a fair market level.

The crisis of agriculture isn't how to make farmers more productive, more efficient or better bookkeepers.

The crisis of agriculture is how to stop the money system from bankrupting American farmers. And this is a crisis in which everyone has a stake.

FIFTIETH LEGISLATIVE ASSEMBLY OF NORTH DAKOTA, HOUSE CONCURRENT RESOLUTION No. —

A concurrent resolution calling for a constitutional convention to propose an amendment to the United States Constitution to terminate all fractional reserve banking practices in the United States and to establish the United States Monetary Commission.

Be it resolved by the House of Representatives of the State of North Dakota, the Senate concurring therein:

That the Fiftieth Legislative Assembly of North Dakota respectfully petitions the Congress of the United States to call a convention for the specific and exclusive purpose of proposing an amendment to the Constitution of the United States, the proposed amendment providing as follows:

"ARTICLE —

SECTION 1. The rights of the citizens of the United States to economic freedom, domestic tranquility, and prosperity without excessive interest and taxation may not be abridged nor denied by any private corporation using any debt instrument or note as a basis for currency in circulation.

SECTION 2. The Congress shall, within two years of the ratification of this amendment, cause to cease all fractional reserve banking practices within these United States of America; and a United States Monetary Commission shall be established.

SECTION 3. The United States Monetary Commission shall include the United States Secretary of the Treasury, the highest ranking members of the two predominant political parties on the Senate and House banking committees; the President of the United States shall appoint to the commission one representative of American agriculture; one representative of fishing, oil, and mining interests; one representative of banking; and one representative of industry. All presidential appointments to the commission must be with the advice and consent of the United States Senate.

SECTION 4. Upon ratification of this amendment, the Congress shall initiate a credit currency system. The United States Treasury, when authorized by the United States Monetary Commission, shall have sole and exclusive power to establish the value of, create, issue, and circulate all currency."

Be it further resolved, that the Legislative Assembly of North Dakota also proposes that the legislature of each of the several states comprising the United States apply to the Congress requiring the Congress to call a constitutional convention for proposing such an amendment to the Constitution of the United States; and

Be it further resolved, that the Secretary of State forward a copy of this resolution to the legislature of each of the other states, the President of the United States Senate, the Speaker of the United States House of Representatives, and to each member of the North Dakota Congressional Delegation.

GREATER NORTH DAKOTA ASSOCIATION,
ND STATE CHAMBER OF COMMERCE,
February 4, 1987.

To: Senator Kent Conrad, U.S. Senate Ag Committee field hearing.
From: Robert G. Thompson, chairman, GNDA AG Council.
Subject: GNDA recommendations on ag policy.

The Ag Council, through resolutions passed by the Board of Directors of the Greater North Dakota Association, recommends continued implementation of the 1985 Farm Act. The 1985 Farm Act provides for increasing exports, stability in the livestock industry, cheap food prices for the consumer, and ample income protection for the farmer.

Two minor changes in the 1985 Farm Act recommended by the Ag Council are as follows:

1. The Congressional intent of the Swampbuster Provision of the 1985 Farm Act was to stop excessively wet areas that cannot be farmed without drainage from being drained. The Swampbuster Provision was not intended to stop the farmer from draining or better managing land that is already farmed. Further, the Congressional intent of the Sodbuster Provision of the 1985 Farm Act was to stop erosion type soils from being brought into production. The Sodbuster Provision was not intended to put farmers out of business. Therefore, the Swampbuster and Sodbuster Provisions of the 1985 Farm Act should not apply to lands cropped or considered cropped during any one year of the years 1981 to 1985. In the future, lands that are farmed three consecutive years should not be subjected to the Swampbuster Provision.
2. Sunflowers is a major non-program crop in North Dakota and the farmers producing sunflowers have been penalized by low market prices and no income support. Please provide some form of income protection for sunflower producers who have not contributed to the problem of surplus crops but are adversely affected.

We respectfully request that you use the above recommendations in guiding your actions in these important areas.

Sincerely,

ROBERT G. THOMPSON,
Chairman, GNDA Ag Council.

STATEMENT OF JOHN RICE, VICE PRESIDENT, U.S. DURUM GROWERS ASSOCIATION

The Durum Growers would favor retaining the current farm bill for another couple of years.

(1) To give it a chance to work. It hasn't had a fair chance yet.

(2) With the pressure from the urban legislators, in view of the $26 billion being spent in 1986, we feel that as a basic bill, it is as good as can be expected.

Would like to see the Administration using all of the export programs to their maximum advantage so that we could lower our surpluses.

We favor the decoupling proposal as Senator Boschwitz originally proposed it.

We are opposed to mandatory production controls because the impact on the rural economy is going to be too great.

STATEMENT OF ERWIN M. HANSON

Mr. Chairman: My name is Erwin M. Hanson. I own and operate a grain and part-time cattle farm in northwestern North Dakota near Crosby, and a grain farm in the Province of Saskatchewan, Canada. Our principal crops are durum and spring wheat.

My concern with the Food Security Act of 1985 is provisions in the Conservation Reserve Program that allows whole farms to enter the program. Also the Secretary of Agriculture has and can allow more than 25% of a county's total cropland to enter this CPR if there will be no adverse effect on the local economy.

There is an adverse effect on the local communities with the implementation of any part of this program as it is written and applied. It prevents young farmers from operating this land either as tenants or having the opportunity to buy and eventually own it. The established bid price in our community will be between $32.00-$37.00 per acre. This will automatically and artificially hold up the price of all area land to approximately $51,000-$59,000 per quarter for the next 10 years, as well as the cash rental for land in that area. These numbers are what got farmers in trouble in the first place.

The experience we had with the Soil Bank Program of 1958 proves that these farms were never lived on again at the end of that 10 year period, resulting in a depletion of the number of young farmers, the closing of schools, churches and businesses and the vacating of rural communities in general.

A solution to this problem is a conservation program that requires a type of permanent conserving use, such as:

Strip-cropping on all farms in an area where it is deemed necessary to prevent erosion. Grassed waterways. Shelter belts. Crop rotation.

Or a combination of strip-cropping with grass and crops. All of these conservation practices are and have been in the Soil Conservation recommendations for many years and merely need to be required in a farm program to be effective.

I would appreciate it if you would put this on your agenda for the Bismarck Field Hearing on February 9, 1987.

STATEMENT OF ARCHIE AND DIANE WOLF, 21 RANCH

The problems that we as farmers face are many! I feel government involvement is our first problem. We have become completely at the mercy of any farm program that is presented to us. We feel prostituted by government bureaucracy that is beyond our control and dollar wise it is the only feasible way for us to go. We are giving more and more and getting less and less. The government encouraged farmers to plow out highly erodible land with it's base acreage for price support programs which has contributed to both excessive soil erosion and overproduction of many commodities.

Interest rates are slowly killing us! When the prime rate is around 7%, how can our local banks, which we rely on for cash flow, keep charging 11½% to 14%? How can our Farm Credit systems be selling foreclosed, abandoned, or voluntary debt restructed land for 4.3%—when they are charging their customers 10%-13%?

Where is the justice in any of this? Those who are paying their way are being punished for those who don't or can't.

The target price in today's program is $4 plus. How can that be justified when it costs us over $4 to produce that crop? If we aren't getting the dollars, they aren't getting back into the economy and our small towns and all of agri business are in a crisis too!

Today's crisis is a creation of our own government, responsible for decades of economic assistance to needy nations. Instead of creating new markets for U.S. products, our foreign aid and support for world bank loans have unwittingly closed or flooded old markets, both domestic and foreign. The cost has reached untold billions of dollars and millions of jobs.

We need a new federal law that would require other nations to buy as much from us as we buy from them in dollar amounts. We need to comply to each nation's standards, such as labels in their language, packing specifications and just plain credible and reputable standards. We have to become export oriented in every sense of the meaning!

If government programs stay around, we absolutely can't take any price reductions and target prices must be frozen at current levels, surplus reduction must be a priority, utilizing tools such as the marketing loan where applicable, also including the development of long term import/export policy and the marketing of value added products, a supply management program based on units that will balance supply with domestic and foreign demand must be implemented, possibly using a two-tiered price and production control mechanism, and fiscal responsibility should be a goal of any farm program. Once the current surplus is reduced and production balanced with demand, government costs can be dramatically reduced. The U.S. must maintain its food and fiber producing capabilities!

STATEMENT OF CECIL WATSON, MEMBER, NORTH DAKOTA WHEAT COMMISSION

My name is Cecil Watson. I am a wheat farmer from Cavalier, North Dakota and a member of the North Dakota Wheat Commission.

The Wheat Commission is a market development organization funded and directed by North Dakota wheat producers. In its efforts to increase the use of North Dakota grown wheats, the Commission and its staff constantly monitor agricultural trade and other government policies which result in opportunities for increased usage or obstacles that hinder domestic and export sales of U.S. wheat.

In the current world trade setting and the need to improve it and thereby improve U.S. and North Dakota farm incomes, the Wheat Commission would like to take this opportunity to address three areas of primary concern: They are U.S. Trade Policy, Export Expansion Programs and Grain Quality.

Under the broad heading of trade policy, a major concern is a trend toward increased protectionism in this country. While the current trade imbalance with many of our major trading partners is alarming, it is our opinion that the trade problem is very complex and that increased protectionism is not the answer. Where U.S. agriculture is concerned, protectionist measures usually produced mostly negative results. For example, just last year protectionist textile legislation threatened U.S. wheat exports to 12 Asian and Latin American nations which annually import more than 35 percent of all U.S. wheat exports. The situtation was potentially even more serious for North Dakota wheat producers who rely on those same 12 nations for 50 percent of all their spring wheat export sales. A presidential veto of the textile and apparel bill has helped maintain those markets and may be in part responsbile for the 25 percent increase in U.S. spring wheat sales to foreign markets in the first half of this marketing year.

Further in the area of trade policy, is the normalization of agricultural trade with all centrally planned economies. The United States has missed trade opportunities for U.S. spring and durum wheats to countries in Eastern Europe and the Soviet Union because of outdated diplomatic and trade policies. Trade representatives from the Soviet Union, which has recently stopped buying U.S. wheats but continues to import substantial quantities of spring and durum wheats from Canada, have repeatedly pointed out that lack of most favored nation (MFN) status is a major obstacle to increased U.S.-Soviet agricultural trade. MFN or similar favorable trade status would make the USSR eligible for export expansion programs and other normal trading practices granted to all other major agricultural trading partners of the United States.

Cuba represents another potential market opportunity for U.S. spring and durum wheats. Cuba purchased U.S. wheat prior to the breaking of trade and diplomatic ties between the U.S. and that country. However, the Cubans currently purchase 50.0 mil. bu. of Canadian spring and durum wheat each year. Normalization of trade relations with Cuba would give North Dakota spring wheat and durum producers an opportunity to export under economical ocean freight rates to this nation in the nearby Caribbean.

The extreme level of competition in the world wheat market today requires expansion and effective application of all programs designed to increase export markets for U.S. agricultural products. The United States must use both the time proven programs and the tools provided to its farmers in the 1985 Farm Bill to improve their competitive position. Our competitors, Canada, Australia, Argentina and the countries represented by the EEC, have cut their export prices so low that the United States is currently unable to export to an increasing number of markets without the use of the Export Enhancement (or EEP) Program. The governments of these competitor countries often heavily subsidize production and/or the transportation and export of agricultural products including wheat.

General Sales Manager's (GSM) credit programs and the PL-480 or Food for Peace Program have for years played important market development roles and continue to do so today, but without the newer, more innovative EEP program this year's sales of U.S. durum wheat would be half at their current level of 65 million bushels. Other classes of U.S. wheat have also benefited from EEP, primarily in African and Middle Eastern markets.

Effective application of EEP along with GSM export credit guarantees, PL 480 and food aid provisions are a must in todays export market environment. In 1985-86 these programs assisted in nearly 60 percent of all U.S. wheat exports. This year and very likely in the foreseeable future, these programs will be significant factors in our ability to export and to maintain or expand the U.S. market share.

Therefore continued funding to maintain these programs at adequate levels is very important under the current situation. Private studies have demonstrated that export expansion programs including increased food aid efforts which cut carryover stocks of U.S. wheat and other agricultural products is good for both the producer—through increased sales and expanded markets; and for the taxpayer—by reducing the cost of storing government-owned commodities.

Enhancement of the overall quality of U.S. exports is also important in improving export volumes in the buyers market that exists in the world wheat market today. U.S. and North Dakota spring wheat and durum producers must penetrate markets by producing wheats that suit extremely quality conscious customers. In most markets, high protein spring wheats are used to blend up the quality of other wheats either grown in the importing country or imported for price considerations. Durum is imported for two specific purposes, usually to produce pasta products or cous cous (in North Africa). In both cases specific properties are required in either wheat.

When competition is keen—as it is today—the importer often places increasing emphasis on these inherent quality traits of specific wheat classes and also the condition of the grain as it arrives at its export destination. Importers are seeking uniformity and consistency in the wheats they purchase. Increased competition forces producer and trader alike to pay very close attention to all quality factors to maintain a favorable comparison to wheats of other origins.

FGIS and other bodies have conducted intensive studies on the subject of export grain quality and are currently continuing the effort in the area of measurement and uniformity of export loadings. The office of Technology Assessment, another U.S. government body, has currently picked up the subject of grain quality and is in the process of arranging a long term study of the export grain quality issue. As a result of past efforts of FGIS, producer groups and the grain trade, some change in the expression of dockage and the protein content of wheat destined for export is already in process and will become effective on May 1 of this year. Those efforts on the part of government, industry and producers continue in the hope that further improvements can be made.

It is our view that this process is preferable to legislation aimed at improving export grain quality, which, while well-intended, in some cases can become too rigid when actually implemented and may reduce the advantageous flexibility aspects of the U.S. marketing system. The flexibility built into the U.S. grain standards and the rules that govern U.S. grain exports are often beneficial to producers. Care should be taken in the process of fine-tuning the system to make it better.

Along with these export concerns, U.S. domestic agricultural programs and policies should also be consistent with long-term export goals and provide consistent signals to producers. Developing and maintaining markets is a long term process that can be interrupted by drastic domestic program changes. While the first goal of domestic programs and price supports is to maintain producer incomes, their impact on our ability to compete in the world market should not be overlooked. The price support policies of the post-embargo period have contributed to the decline in U.S. market share. The sharp cuts in loan prices this year and those scheduled for the near future are in part a result of that situation and the need to re-align our prices in the world market and recover markets lost to lower priced foreign products.

Time has proven that competitor exporting nations are quick to respond to acreage cutbacks by any other competitors with increased acreage of their own, especially if price incentives are in place. Such was the case in 1983 when the U.S. unilaterally cut wheat and feed grain production with the first version of the payment-in-kind (PIK) program. Massive acreage cuts suggest to our customers that the U.S. is backing away as a supplier. At the same time, it signals the competition that an opportunity to expand production is available. Care should be taken that domestic farm policies do not send the wrong signal to both our customers and competitors.

The North Dakota Wheat Commission respectfully submits these comments on U.S. trade policy, export expansion programs and the quality of grain exports in behalf of the wheat producers of North Dakota and the United States. The current economic and trade climate facing our producers requires that we do all we can in those areas to improve our competitive position in the world market.

POSITION PAPER OF THE NATIONAL SUNFLOWER ASSOCIATION

Sunflower is a non-program crop. The production and marketing of the crop has been seriously distorted via the 1981 and 1985 farm bills and a host of unfair trade practices overseas. A serious distortion in the market place today is the soybean loan rage which is attracting domestic and overseas production resulting in an accumulation of stocks in the U.S.

The National Sunflower Association supports a market loan or other market clearing device for U.S. oilseeds [1] so that these crops can regain a portion of lost markets. The NSA also supports the Boschwitz-Boren approach as an alternative to the 1985 farm bill.

SUNFLOWER FACTSHEET

Fact: U.S. sunflower acreage has ranged from a high of 5.5 million acres in 1979 to 1.9 million this season, a reduction of 66%.

Fact: World sunflower acreage and consumption increased 32% during this same period.

Fact: Reductions in U.S. acreage has resulted in lower prices to farmers. Farmers no longer dominate the marketing of world sunflower seed.

Fact: U.S. farmers have been forced to abandon sunflower in favor of program crops such as wheat, barley and corn because of the attractive farm program.

Fact: Farmers who planted sunflower in the 80's because of market signals are seriously penalized today by low base acreages for program crops.

Fact: With the attractive soybean loan, it is anticipated that a portion of U.S. sunflower acreage will be planted to soybeans in 1987.

Fact: Further sunflower acreage decline will irreparably damage support industries and existing markets.

Fact: U.S. sunflower exports have been adversely affected by EEC oilseed production subsidies and by the S.E. Asian palm oil production which was developed through U.S. and World Bank loans in the late 60's and 1970's.

Fact: The U.S. was a net importer of vegetable oils in the market years 1985-86.

Fact: The sunflower industry is a large employer with inputs as hybrid seed and chemicals and a large share of the crop is processed locally.

Fact: U.S. agriculture needs a diversity of crops. Farmers in the midwest cannot continue to plant and store more program crops.

Fact: In this era of world-wide crop subsidies, import restrictions and looming trade wars, it is impossible to expect one crop to stand unprotected and succeed.

STATEMENT OF SCOTT SHIVELY, PLEASANT LAKE, ND

I thank God for the opportunity to live in a country where I have the right to praise or criticize government policy. I also am thankful that thousands of my fellow farmers and ranchers have decided to prepare a better future for Agriculture.

---

[1] U.S. oilseeds consist of sunflower, soybean and cottonseed.

I am confident if we place our trust in God and use our talents and minds as He would want, we will overcome these dark days.

I see the incredible pain and suffering this crisis has brought upon North Dakota and her people. I do not believe these times are the result of cycles or world situations but rather of short-sighted, misdirected and fundamentally wrong policies.

I believe United States farm policy should encompass the following ideas:

1. Farmers deserve to vote on and design policies and programs that they farm and ranch under. These policies should work with family farms instead of benefiting huge multi-national companies.

2. Prices are set by U.S. programs and policies. Both should reflect farmers and ranchers need for fair prices.

3. Farm programs should be designed to produce income from the marketplace and not from government subsidies. Marketing loans and target-deficiency do not accomplish this.

4. Countries that trade unfairly with the U.S. must be dealt with swiftly and effectively.

5. Exports are very important thus it is important that we consider the value of our exports and not volume. When we export a product at below its cost of production we are helping a foreign economy at the expense of our own economy.

6. In the past twenty years we have seen companies dealing with ag processing, distribution and exporting become fewer and larger. Policy must not be designed to promote their growth and profits. Past policies have led to their near monopolistic hold over our markets.

7. Most of the traditional commodity groups represent only their own narrow interests. All farm commodities are of major importance therefore we must find policies that are fair to everyone.

8. If programs must be full participation in order to set prices at the cost of production and balance supply and demand that is more ideal than the current two-price systems that force participation by economics. When farmers vote those prorgrams became theirs.

9. In cases of commodities where our production does not meet our demand imports should reflect our cost of production. If imported beef was priced at our cost of production the prices our cattlemen would receive would rise immediately.

10. Our markets are being manipulated by their trade on their respective exchanges. There are more than a few Ivans down at the Chicago Mercantile Exchange. Vast reforms are needed at minimum and maybe we need to eliminate trading where a benefit to producers cannot be proven.

11. United States ag policy should strive to build world ag economies. Cheap food policies endanger food supplies, our environment and the people on the globe.

12. Food is a matter of Agriculture and not of state policy. Embargoes of the past have failed and been devastating to farmers.

13. The Farm Credit System bailout should benefit family farmers and ranchers. The current advertisement of aquired property at 4.9% is a crying shame. How many of those who lost their farms and ranches would have cash flowed at those interest rates? The Farm Credit System is out of control and Congress must restore some credibility to the system.

14. Farmers Home Administration must work to restructure farmers now on the land. If FmHA has the authority to write down debt and is not this is an example of the current administration's lack of sensitivity to the problems in rural America. I believe direct lending needs to be increased.

15. Conservation measures should work within existing farms and ranches to protect our environment, develop and maintain habitat and still insure private ownership of our lands. The U.S. Fish and Wildlife Service, Audubon Society Sierra Club and others present Agriculture as the enemy of publics best interest when it comes to the environment. The Conservation Reserve Program benefits those ready to retire, those who followed the poorest conservation practices and will empty areas populations where large amounts of acreages qualify. Swampbuster and Sodbuster go to far in removing farmers and ranchers from commonsense decisionmaking about their land. I believe adequate farm income as well as a sharing of a conservation by farmers and others could go a long way toward protecting the environment.

16. Current programs often benefit those who overproduced and those who failed to act as proper steward of the land and that is wrong.

17. This crisis will not end tomorrow even if fair prices returned. Federally sponsored—state administered programs that write-down and restructure debt will be needed.

18. Imports should be labeled as to country of origin and imports should have to meet the same standards our products do.

19. The Save The Family Farm Act accomplishes many of the things I have mentioned and is definitely the best proposal around.

I believe that any farmer or rancher who has stayed in business the last five years has definitely proven he or she is an excellent manager. Family farms and ranches are America's history and future, our most reliable source of abundant, high quality and reasonably priced food. Farmers and ranchers are a shining example of our peoples love of country, freedom and God. We are counting on you Senator.

STATEMENT OF JOHN LONG, PRESIDENT, NORTH DAKOTA MILK PRODUCERS ASSOCIATION

Mr. Chairman, members of the Committee, my name is John Long. I'm a dairy farmer from Gackle, N.D. and President of the Milk Producers Association of North Dakota.

The herd buyout has worked in that we're seeing some increase in milk price but a lot of that relates also to the shortage in the southeast this past summer. The worst part of the buyout is that it takes so many people out of the rural areas. In reality the present policies are destroying rural America. I feel Williams Jennings Bryan said it best in 1896: "Burn down your cities and leave our farms and your cities will spring up again as if by magic; but destroy our farms and the grass will grow in the streets of every city in the country." This is exactly what is happening in our small towns now, the main street businesses are steadily going out of business.

One farmer recently asked, "how do we get a cost of living increase?" Our only option is to produce more. We have F.H.A. and Federal Land bank payments; and in order to pay these at todays agricultural prices we need to produce more.

Presently, my wife is a DHIA supervisor. Some mornings she leaves at 2:30 to drive over 80 miles to weigh milk on other dairy farms to help them do a better job managing their dairy herds. Our five girls, ages 7 thru 14 take turns—two of them get up at 5:45 AM to do calf chores before going to school. We milk between 50 and 70 cows in order to survive on our small family farm.

The Milk Producers Association of North Dakota supports the haying and grazing of conservation acres. We feel this would do more to prevent wind erosion. Haying to North Dakota dairy farmers is the same as grazing in our southern and neighboring states. Our association was also involved in drawing up the dairy portion of the Harkin bill. We would like to see the total agricultural economy raised, not just on portions of it. Even the concept of supply management is a hard pill to swallow because as farmers we love to produce; but our major concern is that we want to get paid a fair price for what we produce. We're not asking to get rich in a few years; just to get a fair return for our time and effort to feed the world and support our families.

I very much thank you for this opportunity to meet with you and for giving us this time to express our feelings.

STATEMENT OF JOHN O. ANSTROM, BALDWIN, ND

I would like you to investigate FHA because of their lack of concern and the lack of competence of FHA personnel. Some of FHA personnel are totally incompetent. Their bookkeeping is not accurate; yet, the FHA wants to keep accurate books. My bookkeeping has improved to the point that I can now find the many mistakes FHA has made. I signed up for a no-till program and I asked the FHA County Supervisor about it. He said he didn't know anything about it and that he didn't think it was good and wasn't in favor of it.

HOUSE OF REPRESENTATIVES,
STATE OF NORTH DAKOTA,
Bismarck, February 13, 1987.

Hon. KENT CONRAD,
U.S. Senator, Washington, DC.

Hon. PATRICK LEAHY,
Chairman, Senate Committee on Agriculture,
Washington, DC.

DEAR SENATOR CONRAD AND SENATOR LEAHY: I would respectfully request your consideration of the following mattters.

First, many farmers and ranchers in North Dakota and throughout the United States are faced with the possibility of foreclosure. In many cases, agricultural producers owe debts to lenders that exceed the current values of the land and other assets securing loans. The lenders will receive no more than the current value of the land and other assets if the land and assets are foreclosed upon and sold to a new purchaser.

Some lenders are currently offering financing rates as low as 4.9 percent to purchasers of agricultural property that lenders have acquired through foreclosure proceedings. In many cases, the previous owner of the property would have been able to show repayability of obligations if payments had been based on the current value of the land and on the concessionary rates of interest offered to the new purchasers of the acquired property. Sales of acquired property are generally made to investors, speculators, or expansion farmers. These sales accelerate the depopulation of this state and threaten the future survival of the entire rural communities. Families attempting to begin a career in agriculture are at a serious disadvantage when they are competing with investors, speculators, and expansion farmers.

I urge you to adopt debt restructuring programs and policies that give existing farmers and ranchers the same repayment terms as are currently being offered to purchasers of acquired properties. In cases where debt restructuring is not workable and the lenders acquire real estate, I urge you to adopt policies and programs giving beginning farmers priority and attractive financing terms to purchase the acquired properties. In cases where beginning farmers are not available, existing farmers should be given priority over investors and speculators.

Second, in my prior discussions with members of the North Dakota Congressional Delegation, I was advised that the swampbuster provisions of the Food Security Act of 1985 would not apply to North Dakota. I urge you to adopt amendments exempting North Dakota from the swampbuster provisions of the Food Security Act.

Thank you for your interest.

Sincerely,

GORDON BERG, *State Representative.*

THE WALL STREET JOURNAL FRIDAY, FEBRUARY 6, 1987 17

FARMS/RANCHES/ACREAGE

NORTH DAKOTA **NORTH DAKOTA**

Buy North Dakota!

North Dakota is fertile prairie soil and abundant fish and game tracts from Missouri River walleyes to migrating Canadian geese! Now it can be yours, financed at . . .

4.9% A.P.R.

Plus, property values are the lowest in years. Don't miss this limited opportunity to get a piece of North Dakota at a great price and with interest rates you haven't seen in years. Call today!

LIMITED OFFER: This offer is limited to qualified buyers at interest rates from 4.9% to 8.9% annual percentage rate depending on terms such as down payment, length of contract and type of property involved. Offer lasts until March 15, 1987. Call our response center toll free:

1-800-328-5727 ext. 25.
In Minnesota 1-800-742-5685 ext. 25.

Farm Credit Services SM

NEBRASKA HEARING—FEBRUARY 10, 1987

STATEMENT OF EUGENE SEVERENS, CENTER FOR RURAL AFFAIRS, WALTHILL, NE

My name is Eugene Severens; I work with the Center for Rural Affairs in Walthill, Nebraska. The Center was formed in 1973 by rural Nebraskans concerned about the role of public policy in the decline of family farms and rural communities. The Center is a non-profit, unaffiliated organization, and its staff of 14 is governed by a 19-member board of directors.

RATIONALE FOR FEDERAL AGRICULTURAL CREDIT PROGRAMS

The historic public purpose for direct federal intervention in the distribution of agricultural credit has always been to extend the availability of credit to farmers and ranchers who otherwise would not be able to obtain credit to start up or rebuild family-size farms and ranches. This purpose can be seen in the original creation of the Federal Land Banks Associations earlier in the century and in the Farmers Home Administration (FmHA) and its predecessor agencies. It is worth noting that these efforts were launched in times of financial turmoil, and all began as programs to facilitate the purchase of farmland. Other secondary public purposes were added later. For example, the provision of operating credit did not become a regular part of federal programs until the 1940's; natural disaster emergency lending was added to FmHA off and on in the 1950's, and lending for economic emergencies was only made briefly available in the late 1950's, then again from 1979 to 1982.

I think the history of these different public purposes is revealing and contains a valuable public policy lesson for the situation we now face in 1987. Without going through a historical blow-by-blow account, our analysis of FmHA's farm loan programs shows a remarkable simple trend: the earlier public programs have proven to be the sounder and more effective. For example, the more recently established emergency programs have been costly, subject to abuse and corruption, and now plague the agency with astronomical loan losses and serve as excuses for discrediting the agency's legitimate well-proven programs.

In particular, FmHA's economic emergency (EE) loan program was, in our opinion, a public policy disaster during the late 1970's and early 1980's. Passed in 1978 as a "fall-back" substitute for macroeconomic disorders in the farm economy, the EE program injected massive amounts of subsidized credit at just the wrong time. Its abandonment of modest loan ceilings and the family-size farm eligibility requirement placed FmHA in the untenable position of trying to be the "lender of last resort" for nearly every farm in America. Accepting junior real estate mortgages as a substitute for repayment ability now haunts EE borrowers who would have been better off without that credit and places the cost of uncollectible loans on the shoulders of taxpayers.

By contrast, modest farm purchase loans through FmHA's Farm Ownership (FO) program have been as sound and effective as the emergency programs have been troublesome and costly. The basic FO approach started with the Bankhead-Jones Act of the depression years and has been the workhorse of federal farm credit programs for decades. Loans were limited by low loan ceilings which capped the amount any individual could borrow and were available only to operations in which the family members provided the bulk of the farm's labor.

The soundness of this basic approach is revealed not only in the countless numbers of farming opportunities created for efficient family-size operations, but in the comparatively low delinquency rate the program has maintained even in today's troubled environment. The government loans are fully secured by the land purchased with the loan and usually involves much lower risk for the government in the event of default. In addition, land loans are much simpler to administer compared to operating loans which require very detailed farm plans and frequent lender monitoring.

SALE OF FARMLAND FROM LENDER INVENTORIES

So what does this have to do with today's farm crisis? The lessons of the past can be used to create sounder long-term responses and avoid the pitfalls of past policies. We think the simple approach of modest farm purchase loans, if anything, makes even more sense now than it has in the past because we are moving into the second stage of the farm crisis—the rebuilding stage. Second-stage farm financing programs will determine which operators will be able to participate in the rebuilding of their farms.

At the same time, farmland is being acquired by lenders through foreclosure and voluntary conveyance and accumulating in lenders' inventories. This inventory hangs over land markets depressing prices. As we move into the rebuilding stage, it is important to develop government programs which help assure the orderly sale of that farmland while using these sales to advance well-conceived family farm rebuilding goals. We recommend consideration of a federal program which uses modest-sized farmland purchases, similar to FmHA's successful FO program, as a device to sell down inventory farmland. A number of programs can be developed around this concept to meet the needs of specific lenders yet still serve the fundamental purposes of providing farming opprtunities to efficient family-size operations.

In the credit title of the 1985 farm bill, Congress chose to begin a phase out of the basic FO program. We think this is a mistake: rather than abandon this approach, it should be refashioned as a tool to rebuild family farms, assist farm lenders, and restore our farm-based rural economy.

FARMLAND PURCHASE AND THE FARM CREDIT SYSTEM

A federally facilitated farmland purchase plan, modeled after FmHA's long-proven direct FO loan program, could be designed to serve a number of pressing public purposes. The FCS, according to most reports, is in need of an emergency infusion of funds. If Congress is inclined to respond favorably to this need, what better way to provide that infusion than by providing FO-type direct loans to eligible borrowers to purchase family-size farms from the FCS inventory which contains about $1.2 billion in acquired property as of September 1986.

This approach would serve a number of purposes:

1. It would provide an infusion of funds to the FCS. While probably not enough to respond to the total potential loan losses faced by the system, this farmer loan mechanism has a number of advantages over other methods of bailing out the system. Unlike a direct federal transfusion to the top of the system, this approach starts at the bottom with a family farm loan and percolates up through the system. The funds would automatically be targeted to local associations and district banks facing the biggest loan losses since those associations would probably have the largest inventories and sell the most farmland under this approach.

2. The plan would create new farming opportunities and usher in the rebuilding phase of the farm crisis. This plan would serve the long-standing public purposes of providing new farming opportunities for new operators and for current operators to rebuild back to efficient family-size farms. Such a program could be implemented quite simply by channelling the funds through FmHA's current direct FO program but earmarking the FO purchases to farmland acquired by FSC-institutions. We recognize that FmHA's programs are being phased down and that FmHA's competence and commitment is questioned by many. As you may know our organization shares that concern but we note that FmHA's FO program is completely intact with a county-level delivery system that has long experience in administering loan programs for family farmers. The proposed plan could be available much more quickly by administering it through FmHA.

3. The plan would help stabilize land prices in two ways: by helping reduce the size of the inventory which looms over the land market and by adding a new set of buyers (including previous owners) into the land market. These buyers could show repayment ability as a result of the lower FmHA interest rates.

4. The public investment is safer since it is not a direct investment in the uncertain future of the FCS, but an investment in and fully secured by farmland that is now being sold at prices that are more in line with the land's earning power. The public investment is dispersed in farmland throughout the country and not held hostage by the future recovery of the FCS. In addition, if the interest rates involved a government subsidy, such as use of FmHA's special limited resource interest rate, the terms could contain provisions for interest subsidy recapture if the land appreciated in value during the term of the outstanding loan.

This same basic approach of using FO-type family farm loans to buy down inventory land could also be applied to other lenders besides the FCS. In the case of inventory farmland held by commercial banks or insurance companies, one way to facilitate inventory sales would be through a program of FmHA loan guarantees. FmHA guaranteed inventory land loans could have the potential of being specially packaged for sale on a secondary market should some of the bills presently under consideration by Congress become law.

FMHA INVENTORY SALES

That brings us to FmHA's own farmland inventory—valued at $841 million in September 1986. We are growing increasingly concerned that the sale of FmHA inventory farms is being conducted, at least in some states, in a way that thwarts congressional intentions. In the credit title of the 1985 farm bill, Congress passed Section 1314 (CONACT Sec. 335) which orders the Secretary of Agriculture "to the extent practicable sell or lease farmland . . . to operators , , , of not larger than family-size farms." That law also allows FmHA to finance farmland inventory sales by using installment credit sales. Importantly, FmHA financing of sales from its own inventory does not require a congressional appropriation nor add anything to the budget since the land is already owned by the government. Thus, FmHA financing of its own inventory sales is one of the most powerful devices to control family farm land sales—the land is there, the money for financing is there, and FmHA, the family farm lender of last resort, is there.

Unfortunately, the evidence is now mounting that FmHA is explicitly committed to disregarding Section 1314. The undermining of this family farm land sale policy is coming from both the national and state levels, and both center on an old congressionally established distinction between "suitable" property and "surplus" property. Suitable land, as prescribed by CONACT Section 335(c) is any land which the Secretary determines is "suitable" for purposes of any FmHA program—for example, the FO loan program. Suitable land "shall, whenever practicable, be sold by the Secretary as expeditiously as possible to such eligible persons . . . " Suitable land which has not been purchased by an eligible borrower after three years is to be sold as "surplus" land to the general public. Land may also be classed as surplus land from the offset if it is found to be "unsuitable" for any FmHA loan program purpose.

FmHA's main strategy seems to be to classify as much inventory farmland as possible as "surplus" property. For farms classified as surplus there will be no credit sales to FmHA-eligible farmers, and cash-paying buyers will get the property. I don't need to tell you that farmland financing from traditional sources like Federal Land Banks and insurance companies is hard to come by these days. The classification of FmHA land as "surplus" all but puts that land out of reach of the very people that Congress said should get first crack at the land through FmHA financing.

Here's how FmHA is going about this. On January 15, FmHA published proposed regulations that state: "Surplus property . . . also includes suitable CONACT property which is not sold within one year of acquisition." 52 Federal Register 1769. FmHA is amending the statute's three-year waiting period to a one-year period—with a regulation! They have either discovered some remarkable loophole, or they are simply acting illegally. Either way, they are undermining congressional intent.

In the midwest, FmHA's intentions as to inventory sales were hard to tell since FmHA land sales were under a land sale freeze (also required by new Section 1314). In Nebraska, this moratorium was lifted two months ago, and the first FmHA inventory land is being advertised right now (see attachment). We understand that about 18 farms are for sale right now in Nebraska, and only one has been confirmed as "suitable" property for availability as a credit sale to FmHA-eligible borrowers. Upon inquiry, we have learned that the property has been administratively found "unsuitable" because of deterioriation of buildings or conservation requirements and accordingly sold to the general public as surplus property. These are weak reasons to say the least. We suspect that FmHA is going out of its way to invent new ways for classifying land as surplus property and thereby deny family farmers the special access to FmHA inventory required by Congress. We note that nationally only 33% of total farmland sales were sold as suitable property. Something must be done quickly to prevent these inventory opportunities from slipping away.

BANKRUPTCY AS A REBUILDING TOOL

Finally, I want to say something about Chapter 12 bankruptcy. Our organization has prepared a Chapter 12 guidebook ("Rebuilding Family Farms Through Bankruptcy") which is attached to this testimony. Congress' passage of Chapter 12 contains an acknowledgement of an important reality: with current farm income, there is simply more farm debt than can ever be paid back and we need efficient and orderly ways to absorb that debt. Chapter 12 is certainly no cure-all, but we believe it successfully combines the two purposes of resolving debts fairly while maximizing opportunities for current farmers and ranchers to keep their operations "on line" and in a position to rebuild.

A Chapter 12 plan is a powerful tool that facilitates fair, comprehensive and realistic debt resolutions in which everyone can gain. When a Chapter 12 plan works, the long-term lenders will get what is due them, local banks will have a viable borrower, and local merchants will have a paying customer. We urge Congress to hold fast to Chapter 12 and monitor its results carefully. For more about our position on Chapter 12, I would refer you to Section I of the guidebook.

Thank you for this opportunity to provide testimony. I would be happy to answer any questions.

[The following material was supplied by Mr. Severens:]

[Midwest Messenger (Tekamah, NE, Jan. 29, 1987)]

Notice of Sale

Notice is hereby given that the United States of America, acting through the Farmers Home Administration will sell by sealed bid on Form FmHA 1955-46 the following described property:

Tract 1: Approximately 80 acres, no improvements. Legal Description is S½SW¼ 18-23-6. The property is located in Cuming Co., Nebraska approximately 5 miles south and 4 miles west of Pender, Nebraska.

Tract 2: Approximately 80 acres, some improvements. Legal Description: Lots 3 and 4 of SW¼ 8-23-8. The property is located in Burt County, Nebraska, approximately 2 miles south of the Hwy. 51 and 16 junction near Bancroft, Nebraska.

Track 3: Approximately 180 acres, some improvements. Legal Description is E½SE¼5-22-10; N¼E½SW¼ 4-22-10; and W½SW½ 4-22-10. The property is located in Burt County, Nebraska, approximately 3 miles west and 7 miles south of Decatur, Nebraska.

Tract 4. Approximately 300 acres, some improvements. Legal Description: Lots 1 and 2 and S½NE¼ 34-24-9 Burt County and Lots 5 and 6 NE¼ 34-2-9 Thurston County, Nebraska. Approximately 7 miles west and ½ mile north of Decatur, Nebraska; N½NMW½ of 6-23-10, Burt County, Nebraska, approximately 5 miles west of Decatur, Nebraska; and Lot 2 or the South 1484 feet of SW¼ 31-24-10 approximately 5 miles west of Decatur, Nebraska.

For further information regarding the property or for inspection of the property contact the Farmers Home Administration Office at South 275 Plaza, West Point, Nebr. 402-372-2926.

Your sealed bid on Form FmHA 1955-46 may be submitted at any time, but must be received by Farmers Home Administration at the above address on or before 9 a.m. CST, February 23, 1987.

The sealed bids will be opened in public at 9 a.m., CST, February 23, 1987, at South 275 Plaza, West Point, Nebraska.

Farmers Home Administration reserves the right to reject all bids.

The property will be sold without regard to race, creed, color, sex, age, or national origin.

[From the Small Farm Advocate, Fall 1986]

State Law Clearinghouse

The Center for Rural Affairs is sponsoring a new initiative designed to assist those individuals and groups trying to bring about the reform of state level debtor-creditor laws. It will work with those groups searching for ways to help family farmers survive the crisis and rebuild their farming operations, and it will try to educate state legislators on the important role the state can play in responding to the farm crisis.

The purposes of the project are to: Monitor state level agricultural debtor-creditor reform proposals on a nationwide basis;

Serve as a clearinghouse of information and expertise for groups or individuals advocating, drafting or defending state legislation;

Prepare and distribute the Farm Debt Collection Reform Reporter to provide current information on state legislative activities and legal challenges;

Assist debt reform advocates respond to legal and other arguments raised by lending industry lawyers and lobbyists.

Groups or individuals interested in participating should contact Annette Higby at the Center for Rural Affairs; P.O. Box 405; Walthill, NE 68067.

FmHA IGNORING INVENTORY LAWS

A recent FmHA farmland inventory report suggests that the agency is ignoring a 1985 law in which Congress ordered the Secretary of Agriculture "to the extent practicable sell or lease farmland . . . to operators . . . of not larger than family-size farms." (Sec. 1314 of 1985 Farm Bill). That law also allows FmHA to finance farmland inventory sales by using installments sales, a device which could facilitate sales to family-size farms. Instead, out of the total of 829 farms sold by FmHA during FY 1986, 67% (or 558) of these farms were sold to ineligible borrowers. Thirty-three percent (or 274) were sold for cash. Only 271 farms (33%) were sold to eligible FmHA borrowers.

The report "Farmer Program Inventory Property" for the month ending September 30, 1986 provides valuable information on total inventory size and total sales for both the month of September and the entire fiscal year which ends on September 30. The report is based on responses from 98% of FmHA's county offices. The states leading farm inventory sales are:

	Total	Sold to ineligible borrowers	
1. Kentucky	85	52	(62%)
2. Georgia	78	67	(86%)
3. North Carolina	67	54	(81%)
4. Indiana	65	40	(62%)
5. Tennessee	60	38	(63%)

Very few sales have taken place in midwestern states at the time of the report—for example, Iowa 3, Minnesota 1, Nebraska 5. In these states, sales have been suspended by a subsection of the same inventory law which prohibits sales "if the placing of such farmland on the market will have a detrimental effect on the value of farmland in the area." We have received copies of two midwestern state FmHA supplements which deal with farmland inventory sales, and presumably other midwestern states have developed plans and procedures for dealing with their inventory land. This suggests that sales may be resumed in these states soon.

FmHA inventory land is an important resource for rebuilding family farms. Not only will there be considerable land available, but financing and preferential treatment is available for family-size farms. However, if the sales data indicated above are a trend, it could mean that the bulk of land will simply be sold to cash buyers and other ineligible buyers. The implementation of this important program by state FmHA offices will undoubtedly need to be monitored and congressional offices informed of the results.

STATEMENT OF BRYCE P. NEIDIG, MADISON, NE

I will address most of my remarks today to two basic areas of what we generally refer to as farm credit. First, the Farm Credit System itself and second, the agricultural credit handled through the commercial banking system.

As most everyone is aware, the Farm Credit System is going through some extremely difficult times. There are several explanations for the cause of those problems. From my perspective, we need to direct most of our energies toward solutions and less toward attempting to pin blame. As always, there certainly is enough blame to go around.

Obviously, neither the FCS or the commercial banks were immune to the attitude during the 1970s that we were riding an upward spiral that had no end in sight. Consequently, based upon the best information available, whether from bankers, economists or others, decisions made by farmers and ranchers to incur additional debt were by and large sound decisions. Of course, we now have the benefit of hindsight.

If we accept this assessment as basically accurate, then we need to find workable solutions. First, I think we are kidding ourselves if we actually feel that we can solve the present credit problems in agriculture through just the income side. Our basic problem today is not solely an income problem, but rather an old debt problem. There simply has to be some way to adequately address that old debt. Numerous methods are being discussed at the present time. Perhaps some sort of interest buy-down, or debt forgiveness, or debt restructuring of some sort. Currently some of all of these is being practiced. However, it further appears to me that we also have to protect not only the borrowers but also the lender, be that the FCS or the private lending sector.

We also need to consider both the immediate or short-term and the long-term. Most of what I have already talked about can fall in both categories. Saving as many people as possible needs immediate attention. The most important long-term goal must be to make sure that farmers and ranchers continue to have available to them adequate sources of credit at the lowest feasible interest rates. And if that indeed means Federal Government involvement, then we should not shy away from that.

Assuring the survivability of a viable agricultural system based upon our historic family-owned and operated farms and ranches is crucial. But I think that we must stop dwelling on the concept of the "family farm." We need to think instead of the best system as one based upon "families that farm."

Our own operation as an example. My son is the 5th generation farming some of the same Madison County land. This farming operation presently provides the livelihood for three families. This farm bears little resemblance to the farm as it was when I was a boy. But it is still the same family that is farming. The point I am trying to make is that while each of us in this room knows what a family farm is, it is nearly impossible to draw parameters around a "family farm" and put it in writing. However, describing "families that farm" is a much easier task.

The Farm Credit System's problems stem mainly from the fact that it supplies solely agricultural credit. In other words, there is no other area in which it has the opportunity to spread risk. This one factor alone makes the FCS unique as a purveyor of credit.

Recently, rumors circulated to the effect that because of severe financial problems within the system, borrowers stock was in danger of being impaired. Apparently that was triggered by an article in Farm Journal magazine. As a borrower and stockholder of the system, I, like many others, breathed a sigh of relief when the rumor ended up being just that, a rumor. I think that we all can be extremely thankful that the perception of trouble of this magnitude did not adversely impact the bond market.

Not just from a borrower's point of view, but as a farmer who is sincerely concerned about agriculture in general, I don't think that we as a nation can allow the Farm Credit System to fail. The potential impact upon the basic financial foundation of America would be devastating. There is no question that the Farm Credit System will continue to suffer substantial losses at least in the near-term, because of several things: Borrower flight—the high cost of money, income loss on non-accruing loans, losses on loan liquidations; and the cost of doing business. The system might conceivably survive with one or two of these problems, but not all at once.

In just a few days we will know the latest information about the condition of the system. At the present time the system has outstanding loans totaling $61.8 billion with $41.4 billion held by the Land Banks, $12.9 billion by the FICBs and $7.5 billion by the Banks for Cooperatives. This is down considerably from Dec. 31, 1984 levels. And a further significant reduction is expected to appear in the upcoming report.

From both a farmer's and a borrower's perspective there are several things that I feel must be considered as we look at ways to keep the FCS viable.

1. Continuation of a borrower-controlled organization.
2. Decentralization to the maximum extent feasible.
3. Lending limited to farmers and their cooperatives.
4. Full disclosure of financial condition.
5. Protection of the value of member-borrower stock.
6. Pursuit of meaningful and effective restructuring of member-borrower loans.
7. Prompt infusion of federal government capital as needed.

I am not suggesting any priority order for these suggestions. Rather, several can be done concurrently. Most important of all, however, is that we simply MUST NOT lose sight of the reason for the creation of the Farm Credit System in the first place. That reason, of course, is to serve the borrower-member. Just saving the system without always keeping in mind the reason for the system does nothing worthwhile.

We need to consider some other alternatives as well: such things as a secondary market for agricultural loans. And perhaps even some sort of mechanism to effectively recapitalize agriculture. Both of these ideas, of course, extend beyond the Farm Credit System.

Now for some specifics as far as Nebraska is concerned. According to recent statistics, approximately 37% of financially stressed operators in Nebraska are finding it difficult to obtain credit to help cover cash flow needs. This, of course, exacerbates the problem of delinquency of payments to lenders and merchants as well as tax payments.

Between 1984 and 1986, principal outstanding in Nebraska decreased by over 38% and almost 75% for the PCAs. During this same period the FmHA has increased its volume of ag lending by more than 15%. When we recognize that the FmHA is still considered the lender of last resort, this could be construed as significant.

I have already mentioned the need to insure the continued availability of adequate credit at the lowest feasible interest rates. The key here is "lowest feasible interest rates." It is sometimes difficult to impress upon those outside agriculture, the impact of interest rates. I am sure that we might all be surprised at the positive financial impact a reduction of three to five percentage points would have on the cash flow of most agricultural operations. Think how that would help address the problems I have already mentioned relative to delinquency of payments to lenders and merchants and also tax payments, local, state and federal.

I believe that far too much emphasis has been and maybe still is placed upon the lenders' "balance sheet" lending approach and far too little upon a "profit and loss" approach. This probably has been more noticeable within the PACs than anywhere else. In my opinion, more producers have found themselves in an intolerable financial position because of this than for any other reason. In other words, reasonable forbearance simply must be practiced.

In conclusion, time has not allowed me to do more than just touch on a few areas relating to farm credit. Few things are more important though. I have attempted to touch on what I view as some of the more important. I feel that we not only have to come up with workable solutions, but that we will. And even though it is imperative that we maintain viable and reliable sources of agricultural credit, at the lowest feasible interest rates, simply offering more credit is not a viable solution to our problems.

STATEMENT OF JOHN K. HANSEN, NEWMAN GROVE, NE

Thank you for the opportunity to appear before you and your distinguished committee today. I want to welcome you to Nebraska, and congratulate you and your committee for making the effort to hear from real farmers, and not just high paid lobbyists and so called experts. I want to assure that I am not a high paid lobbyist, nor for that matter a high paid anything, and I have 15 years of farm records to prove it.

I was asked to share with you today my views on ag lending. My views are based on my experience as both a farmer and an ag supplier. I also have had experience as an ag lender myself when some of my customers' ag lenders decided not to continue promised lines of credit part way through the production year. My goal as an ag supplier is to avoid being an ag lender, but unfortunately as is the case with many ag suppliers, that goal is not met.

In my own farming operation, I have always been a big believer in keeping good records. We use these records to make cash flow projections for our operating loan. Cash flow is the month by month accounting of the total amount of money in and out of a farming operation. Cash flow lending is the name of the game in rural lending today. A positive cash flow is a must in order to obtain an operating loan in today's ag economy.

In order to achieve a positive cash flow we have done what most farmers have done, we have tried to minimize our expenses and maximize our income. We buy our fertilizer, farm chemicals, crop insurance, and seedcorn at wholesale dealer prices. We farm with used farm equipment which we repair ourselves so that our machinery costs are below average. We rent all of the rented ground on share rent basis in order to keep our financial exposure to a minimum. Our owned land costs are well below what many people are paying in our area. We live on less than $18,000 per year for a family of 5. We had one of the lowest costs of production out of a farm bookkeeping class of 67 farm families in northeast Nebraska. While we are always looking for a better and cheaper way to do things, we feel that most of what we can do has been done.

We fully utilize what farm programs have to offer. Yet, our books tell us that we need outside income in order meet family living expenses and debt retirement goals. Between the custom farming we do, my wife working part time for the Nebraska Department of Social Services, the crop hail insurance agency that I own and operate, and my 10 county area seedcorn distributorship, we are able to help generate an additional outside income of $20-$25 thousand. The question my wife and I ask ourselves each year at income tax time is how do farmers without the advantages that we have survive?

The answer is unfortunately that many of them don't. According to statistics from the Nebraska Crop and Livestock Reporting Service, we lost 2,000 family farmers and ranchers in Nebraska last year. Over 100 food pantries have opened in Nebraska in the last 2 years to feed food producers who cannot afford to feed their own families. I think that it is a pretty shabby excuse for a farm policy that rewards honest, hardworking, efficient farmers by forcing them off farms and ranches they have worked all their lives to keep.

In my experience as a seedcorn distributor I am able to see a lot of different people in a lot of different situations. I wish President Reagan and supporters of the 1985 Farm Bill could see the pain and suffering that I have seen in the last 4 years in our part of the country. Maybe after watching proud competent men in their mid 60's breakdown and cry on your shoulder and wonder if they will have a place to live, and money enough to take care of their wives, they just might think that a farm bill that continues to lower net farm income is not the answer. I have seen many good operations go down the drain in the last few years, and I do not see any relief in sight.

We have had 3 of the best crop production years our state has ever had in a row. Yet with the bumper crops, the cash flows continue to either just barely work, or not work. We all know that one below average production year, and farmers in our area are in big trouble. Farmers and their bankers agree on that.

The equity based borrowing of the 1970's is a thing of the past, as is most if not all the inflated equity. What has not left is much of the inflated debts. Financial statements continue to follow the land values they are based on down, and down. Some of my land was valued at $1300 per acre on my own financial statements in 1982-1983-1984. My 1987 finanial statement puts a $400 per acre value per acre on the same ground. Talk about going through the financial bends!

What a lack of equity means to me as a borrower is that I have lost a cushion that I could use to help soften the blow of a poor production year or unforeseen major expense.

What do we need to help us as rural borrowers, ag suppliers, and ag lenders? I will tell you what a prominent ag lender told me when I asked him that same question last Saturday. He announced his 3 point program: 1. higher prices for basic feed grain commodities. 2. more net income for farmers. 3. profit. It is time to stop substituting borrowed money for earned income.

The key to any rural lending situation is the amount of earned income available for debt service. The key to net farm income is where the farm program sets the loan rate of the basic feedgrain commodities. The 1985 Farm Bill tells me as a borrower that the future will get nothing but worse. Many of the farm lenders that I have talked to in the last several days tell me the same thing. They know that the prospects for the future contained in the 1985 Farm Bill is so poor that in the case of marginal loans, that they might as well get the unpleasant task of loan termination over with.

In my opinion we must open the 1985 Farm Bill and breathe some hope into the future for both the borrowers and the lenders before we do anymore unnecessary damage to our rural communities. The hope for the future lies in the ability of this Committee to bring about a new and more positive direction in farm policy. I sincerely believe that the future of my family and my farm is in the hands of this committee. Please help keep young farm families on the land. Thank you.

STATEMENT OF STEVE HALLORAN, HASTINGS, NE

My name is Steve Halloran. I farm 960 acres near Hastings, Nebr. My production consists of irrigated corn and beans, and dryland milo and wheat. It is a family operation.

When asked to participate on this panel, I was given the impression that I was to detail my credit difficulties that I might be experiencing. I feel that this is more than any individual should be asked to do. Farmers are hesitant to discuss this with their neighbors; and are more hesitant to expose their financial condition on a public statement such as this. I have neighbors who have experienced tremendous difficulties in attaining credit, but I am not bold enough to ask them, and you should not be so bold, to ask them to tell the whole world the specifics of their financial condition.

Credit is readily available, actually a surplus of credit, to creditworthy borrowers. Ironically those who are creditworthy—don't need it and those who are not creditworthy—can't get it. More and more farmers are becoming less creditworthy as a direct result of the current farm bill.

The credit crunch is two-fold; (1) Credit stress, or the need for more and more credit, is the direct result of the price depressing farm program. (2) The resulting low commodity prices forces more defaulting on loans. It also creates a weakened financial statement and cash-flow capability for farmers. This, in turn, makes them less creditworthy.

We have, proportionately, as much of a surplus of credit available to agriculture as there is a supposed "surplus" of commodities in the world market. Washington has dictated a "market-clearing" price onto farmers for their production, in an effort to gain a larger per cent of the export market. Result: our prices are cut in half with little gain in exports, and a miserable imbalance of trade. Lending institutions would scream if Washington mandated a similar market-clearing "scheme" for interest rates on borrowed capital.

Farmers are using basically three lines of credit. The 1st line of credit being used is the advanced deficiency payments upon sign-up of farm program. The second line of credit, rapidly becoming a residual supplier of credit, are the local commercial banks. The Federal Credit Administration (F.C.A.) is obviously the third line of credit.

The Federal Credit Administration is destined for failure. It has recently discussed the idea of letting strong banks survive and simply recapitalizing failing banks with government funds. This philosophy has come to be because of a similar primitive attitude that the Administration has towards agriculture. That attitude being, "let the strong survive (if they can), and hasten the demise of the weak." This same farm policy, which promotes selling larger volume at below cost of production, will be the demise of the Federal Credit Administration. With the collapse of the F.C.A., a greater burden will be placed upon commercial lenders, forcing many more bank closings.

A very crucial credit dilemma is being experienced by young people trying to enter agriculture. The FHA does not want young farmers on their portfolio—they want established farmers with net worth & cash flow. Commercial lenders require a co-signer, which traditionally is a parent of the borrower. The dilemma is that the current payment limitation restrictions will not allow that young man to qualify as an individual producer and not allow him to qualify for program benefits, if his father co-signs his note. They also discourage the beginning farmer from using his father's equipment; another traditional method of starting to farm. The Committee on Economic Development, C.E.D., in its policy paper, the Adaptive Approach to Agriculture recommended that efforts be made to discourage youth from entering agriculture. The current Administration should be applauded by the C.E.D., for so successfully implementing this insidious policy.

Solution: Most farmers would agree, that you should hold serious hearings this year and move to place a better law into effect with the 1988 crop. Some 70% of all our production goes into the domestic market. Let us produce, by farmer referendum, a reasonable amount to satisfy these domestic requirements. If you want to subsidize exports in an effort to correct the miserable misbalance of foreign trade, that is a separate policy. Let's not place the whole burden of offsetting Japanese and European exports to this country on the backs of the farmers by asking us to sell our products at "fire sale" prices.

The recent wheat poll illustrates that farmers are willing to cooperate in a well-run program. It should be administered in bushels, not acres. You should drop the payment completely; raise the loan rates and our prices on the production that the market will absorb.

The program should be based on marketing controls in bushels—subject to a referendum of producers—increase the loan rates to approximately $5 on wheat and $3.50 on corn—stop payments altogether—and give farmers a chance to work their way out of this dilemma.

There should be no limit, or cap, on loan; because this would prohibit participation by family farms which have grown large in an effort to survive. Too much emphasis has been placed on the few examples of large payments to a small per centage of participants.

AINSWORTH, NE.

Senator PATRICK LEAHY,
Washington, DC.

DEAR SENATOR LEAHY: Enclosed is a letter to Richard Lackaff and my signed testimony. I had given my testimony to Gene Severns, Staff Attorney, Center for Rural

Affairs, Walthill, Nebraska to read over and then submit. I mistakenly gave him an unsigned copy.

Sincerely yours,

RAY KICKEN.

Enclosures.

AINSWORTH, NE.

RICHARD LACKAFF,
President, Nebraska Stock Growers,
Bassett, NE.

DEAR MR. LACKAFF: It is my understanding that the cattle industry was not in favor of reopening the '85 Farm bill being that the Harkin Family Farm Act would be more expensive to our government. I have graphs that dispute that belief. They are studies done by the Food and Agricultural Policy Research Institute (FAPRI). I will enclose my information for your inspection.

The Family Farm Act has been introduced. Senator Leahy held his senate hearings in the field to get a first hand look at the problem. From my personal contact with ranchers not only in our area but throughout Nebraska and neighboring states I find that the rancher has been harder hit than the farmer and mainly due to the centralization of our farm credit system not the centralization itself, but by the methods used to discredit the decentralization system that we had.

I am not asking you to take my word. I would like to see the leaders of the cattle industry go on a fact finding mission, ask the hard hit ranchers what was the cause and what is the cure then let the Senate Ag Committee know of your finding. Time is short.

Your Hard Hit Ranch Neighbor,

RAY KICKEN.

STATEMENT OF RAYMOND K. KICKEN, AINSWORTH, NE

PCA loan officer severely beaten, farmer shot and killed while resisting arrest. Neighbor reported automatic weapons being fired on dead farmer's property in mid-May. Sheriff believes farmer was a member of the Posse Comitatus, a loosely formed militant organization.

The only thing that stopped this from becoming a reality on June 29, 1984, was "Ray, you have Jeanne to think about."

I am Raymond Kicken. We owned and operated a 300 cow-calf to finish operation for ten years before our credit was shut off. We were not broke, only being forced into liquidation. Seven months later, we were part of a trade-off. FICB forgave Valentine PCA $12 million in exchange for salvageable loans. We had built our operation from scratch.

I was raised on a Sheridan County ranch and graduated from University of Nebraska School of Agriculture, Curtis Nebraska, in 1949. I enlisted in the Army Corps of Engineers on October 3, 1950. I was an NCO for two years of a three-year enlistment. In 1951 I led a combat engineer platoon in direct support of an infantry battalion in Korea. After leaving the service I started out as a ranchhand, spent four and a half years as a co-manager of a co-op, four years in contract construction, and ten years operating my parents' ranch. I began our ranching operation south of Ainsworth in 1970 and built it over a period of fourteen years. I am presently employed as a ranchhand. Our land is to be sold in May of this year.

I am active in farm movement groups, was a delegate to the United Farmer and Rancher Congress in September, 1986. I am vice president of the PCA Stockholders of North Central Nebraska.

In 1983 our credit was shut off. After one year in limbo, I asked for copies of my file with PCA. There should have been two notes, a 1981 note which should have been canceled by renewal in 1982, and the 1982 note. Instead, it contained two mortgages that I didn't know existed, and there was no record of the 1981 note. I decided to take legal action, but in looking for an attorney to file suit against PCA and FICB I walked into a set-up.

In spring, 1984, I, three other producers and an attorney went to Brighton, Colorado, to get a first-hand look at the activities of the National Agricultural Press Association. On the return trip, we agreed not to go through National Agricultural Press Association for filing suit. The attorney stated that he could get a law firm to represent me on a contingency basis. The attorney took copies of my documents for the law firm. Time passed, and then the attorney suggested a letter be written to the FICB notifying them of a possible law suit. This accomplished, the attorney announced that he had found a law firm that would take the case, but they wanted $1 million up front and didn't plan on winning.

The following sequence of events occurred:

May 13, 1984, FICB signed a petition for replevin, but it was not filed until June 18, 36 days later.

May 15, 1984. Report to sheriff of automatic weapons fire on my property.

May 30, 1984. I filed a pro se law suit in federal court.

June 29, 1984. Replevin hearing in the morning. The court ordered seizure of my machinery and equipment that afternoon.

While the sheriff and his deputies were taking my equipment, the loan officer was escorted to my farm and parked about fifty feet in front of my house. The loan officer was crouched down as if trying to hide. Was the loan officer being used to stimulate anger? In March of 1983 I had confronted this loan officer with his deceiving and unbusinesslike manner. He reacted as though he was a mischievous youngster who had stolen a soda pop and got caught drinking it. He started a rumor that I had taken a swing at him, missed, and struck another loan officer. This grew into another rumor that I beat up two loan officers at my ranch, and eventually that his life had been threatened.

In about January, 1986, this same loan officer had received an anonymous letter stating that I had threatened his life. The sheriff identified the author of the letter by his handwriting and set him up as an informer. This man was a co-worker of mine, and we had had a dispute over working conditions. He apparently had written the letter to get back at me, another childish behavior. The sheriff never investigated the source of the problem.

In March, 1985, I was told about an anonymous phone call to the sheriff stating that a number of carloads of Posse Comitatus members, led by my son, were coming from Colorado to stop a farm sale. This was a complete fabrication.

The firing of the automatic weapons was that of an automatic weapons team from the Nebraska National Guard. They had requested a place to fire their weapons, saying that they needed practice before going to a meet, and I gave them permission. They were led by the son of the implement dealer who was hired to take my equipment. This man was also a deputy of the sheriff.

All of these events together have created an illusion for the sheriff and for law enforcement community that I am militant and dangerous. Combined with the provocation on June 29, 1984, they created circumstances that could have led to the tragedy alluded to in the beginning, and they have certainly served to discredit me in all of my lawful efforts to fight foreclosure.

By the time I filed the pro se law suit, the National Agricultural Press Association was coming apart from within. Attorneys had to be brought in so that suits could be properly handled. This enraged the founder. Those who supported the change were either expelled or left the organization on their own. Neither my son nor I have had any association with the National Agricultural Press Association since June, 1984. The idea that had brought me to National Agricultural Press Association was to rely upon the courts to settle the dispute and refrain from mob or militant resistance. Instead, I was targeted for being involved in the National Agricultural Press Association.

To understand farm movements, you must first understand the history of American agriculture. In the 1860's, our agricultural system was designed as a tool to guarantee freedom to this nation. The family farm concept was to put land in the hands of many, creating numerous little empires that could not be organized powerfully enough to take absolute control. Farm movements have tried to protect this decentralized structure from take over by corporate, or centralized, farming.

The Farm Credit System was established in 1932 as a lender for American agriculture. It was to be owned and controlled by the borrowers, reflecting the decentralized power structure of agriculture. In recent times, Farm Credit executives have taken control of the organization from the member borrowers and turned the System 180 degrees from its original purpose, to serve agriculture. The System has become self serving at the cost of its members. The Farm Credit System must now be restored to its original structure and purpose.

While farm movements fight to protect family farming, the forces of centralization try to protect themselves. My experience is an example of this. Their strategy is to discredit and divide those of us who struggle to preserve our farms, and with them family farming as a whole.

Two simple laws would have prevented 90% of the problems we have today: First, there must be full disclosure so that a borrower knows exactly what is pledged to obtain a loan. Second, when credit is stopped, interest must be stopped. Without the means to generate income to pay debt, the farmer can be ruined by compounding interest even if he has equity remaining when credit is stopped.

HERMAN, NE, *February 10, 1987.*

Senator PATRICK LEAHY,
Chairman, Senate Agriculture Committee.

MR. CHAIRMAN: My name is John Brodersen. I raise irrigated corn and soybeans along with a farrow to finish hog operation in Burt County, Nebraska. Our operation is strictly a family farm with all income derived from farming.

When asked to prepare this statement, I felt it my responsibility to consult with my immediate neighbors and incorporate their views in with mine. These six farmers, including myself, are in their mid "40's". Some have purchased land, some have not. Some raise livestock, some work off the farm in the winter. Three have college degrees, the others have taken ag related courses in production and marketing. All are highly motivated, efficient farmers. All are financially broke on paper and have seen their credit dry up, both at the Farm Credit Banks and at private lending institutions.

As the prices we received declined, due to the Reagan Administration's maneuvers with the current and previous farm bills, our net worth declined as well. With declining net worth, we were either denied credit or placed unmercifully in the high risk category at the PCA's. This resulted in ever increasing interest rates as we advanced further into debt due to low prices and higher interest rates.

These six efficient farmers, as of 1980, have in the past 6 years taken the following courses of action:

One now farms part time and has full time off farm employment.

Three have defaulted on land contract purchases.

One custom farms some of the land he previously share rented.

One received an infusion of family capital to keep in operation.

Three beg money from the FmHA and in turn have lost the dignity of making their own decisions.

One has a bank loan.

Two operate from day to day, without a lender, by offering crop leins to the suppliers of their crop production inputs in return for credit during the growing season.

None of the six has made a capital purchase since 1980. All are operating with well worn machinery and livestock facilities. All drive cars and pickup trucks with over 100,00 miles on the odometer.

The six farmers unanimously agree that while lack of credit is more than a mere inconvenience, the real culprits are over production and lack of price. We cannot continue to produce for now non-existent world markets and none of us particularly enjoys a ward of the state through deficiency payments.

We agree that our only solution is to bring production in line with demand. To do this equitably, all who produce must share proportionately in this cut-back of production. We agree that prices can be increased in the market place by increasing commodity loan rates. Only through this action will we be capable of servicing current and future debt at interest rates competitive with those paid by other areas of the economy.

JOHN C. BRODERSEN.

STATEMENT OF DONALD L. DONNELLY, DONNELLY FARMS, INC., DECATUR, NE

We have done business with the Tekamah PCA since we started farming with our father in 1977. My brother and I took a minimal living from the operation in order to put as many dollars back into the business as possible. We were aggressive and eager not only because we enjoyed our work but also because the policy of the country and the lending institutions encouraged us to expand our operation. By 1980 prices were good but high interest rates absorbed most of the benefit of those higher prices. Farm credit loan officers were encouraged by bonuses and gifts to put as many dollars into the borrowers hands as possible so that they might also take advantage of an expanding economy and inflation.

We were and are very good producers and managers, and were able to expand our operation and manage the debt that accumulated. We were valued as number one credit by the PCA. At this time we considered our relationship with the PCA to be a working, good faith partnership. The 1984 crop disaster changed all that.

Based on our understanding of the relationship, we discussed the impact that the crop disaster would have on our operation with the PCA. Our county had been declared a weather related natural disaster area and funds would be made available from the Farmers Home Administration and/or the Small Business Administration if the producer qualified. The PCA had promised to finance operating capital for our 1985 crop or to subordinate the crop to the FmHA so that we could obtain financing from them.

In the summer of 1985 we did not yet have operating capital lined up. We were able to put a crop in because of the trust our local merchants had in us. There was one delay after another in our negotiations with the PCA. Up to this time we believed that it was bureaucratic red tape that was causing the delays. We continued to pursue the disaster loans and continued to meet with the PCA. On October 9, 1985 we met with the PCA again. It was then we realized that it was not the intent of the PCA to loan us operating for 1985. We believed their intention was to let us put another crop in with the assistance of our local suppliers then to take the crop in lieu of debt and stiff the suppliers. This would have discouraged our suppliers from extending credit to us and would have immediately put us out of business. This suspicion was confirmed when we received a foreclosure notice in the mail on October 11, 1985.

We were determined to stay in business and this was in direct conflict with the PCA's wishes. We decided to fight. Many months, several attorneys, negotiators and thousands of dollars later we remain in business, NOT because of the Farm Credit System but because of our own determination and the faith of the people up and down mainstreet who have extended us credit for the past two years.

We have recently reached a settlement agreement with the PCA. Our loan application to the SBA for disaster assistance was approved and we have our application to the Farmers Home submitted and are awaiting approval. This is the last step we need to complete before we can escape the nightmare of the past three years.

It is my intention that this testimony be used as an example of the problems that we and many other farmers have experienced trying to obtain credit. The experience of the past few years has taught us all alot. The Farm Credit System is in serious trouble. I believe if it is to survive one important thing that must change is the attitude the Farm Credit System has regarding its function. It is a service business. The service provided is money, middlemanned between the farmer and the supplier of agricultural inputs, i.e., seed, chemical, fertilizer. The service provided is convenience. Credit institutions do not manufacture any products or create any wealth. They simply provide a service so that we don't have to trade bushels of corn for pounds of fertilizer, etc. Like any business and especially service, you can't treat the customer like dirt and expect them to continue to do business with you.

Our local PCA's loan volume has decreased substantially. They have lost the respect of the community that they service because of they have lied to customers and suppliers. They have taken some farmers out of business and have tried to take out others. This treatment has turned off existing and potential customers who are either friends, relatives or neighbors of those who have been abused by the PCA/FLB. In a small town you will eventually be held accountable for your actions and people have a long memory when they've been screwed.

The people employed by the system have forgotten or never knew the reason for the existence of the system. No matter how much money is pumped into the system or how long you give them to restructure the debt you will have to have customers to survive. I personally would not return to the PCA if they had a 0% interest rate. My confidence in the system would only be restored by a change in personnel.

Congress has given us a wonderful system that works when it is administered properly. The original purpose of the system as designed by congress was: 1. "recognizing that a prosperous productive agriculture is essential to a free nation and recognizing the growing need for credit in rural areas, that the farmer-owned cooperative Farm Credit System be designed to accomplish the objective of improving the income and well-being of American farmers and ranchers by furnishing sound, adequate and constructive credit and closely related services to them. . . ." etc.

Many of the problems of the entire system could have been avoided if there was profitability in farming. That means getting a fair PRICE for our product. We would not have a credit problem if we did not have a profit problem. We will continue to have this problem until we bring our production in line with demand, and quit producing for an export market that no longer exists. Grain shippers and processors are showing record profits handling, storing and processing our cheap grain at a time when farmers are going out of business at a record pace.

I urge you to consider legislation that would stop this trend in agriculture. It has had a devastating effect not only on rural America but the entire country. This trend towards the elimination of farms and rural communities in favor of centralization and concentration of wealth and resources is a threat to democracy and the family unit. We need legislation that would allow producers to receive a fair price from the market place rather than earning this living from government subsidies. I believe we can accomplish this by eliminating the target price, by raising the loan rate to at least the average cost of production and by reducing production to the level of usage plus a strategic reserve. Once this has been done, it is my opinion that profits in agriculture will return and so will the good health of farm credit.

I am thankful for this opportunity to express my views.

STATEMENT OF THE NEBRASKA PORK PRODUCERS ASSOCIATION

The Nebraska Pork Producers Association is pleased to have the opportunity to participate in the field hearing of the Senate Agriculture Committee. Clearly, the subject of farm credit is vital to farmers of all chosen fields of endeavor.

Chief among our concerns is the short and long term stability of the wounded farm credit system. Since Congress has allowed the system to subscribe to an "alternate book keeping system" the system has gained a bit of room to maneuver. But your involvement should not end there. It is important that the Senate Agriculture Committee closely monitor the system in regard to a possible infusion of money from the federal treasury. The system itself, the Farm Credit Administration and the Farm Credit Council are surely watching the situation—but Congressional eyes on the situation will help insure that the proper amount of money is infused when and if it is needed. The situation is analogous to the cliche "a watched pot never boils." We need as many watchers as possible on this pot because if it boils over, the damage that could be done is frightening to even think about.

As all members of both the Senate and House Agriculture Committees know, there are many bills pending that address the question of a viable secondary mortgage market for farm mortgages. While most Nebraska pork producers agree that a secondary market would open new and opportunistic capital markets for farmers and put them on an equal footing with those who mortgage homes, it is important that such markets do not fall all over each other trying to secure the top 15% of the business and ignore the vast middle range of borrowers whose asset/debt ratio is not so sterling.

There is almost no one in Nebraska or Congress that has not complained about the enormous federal budget deficit that is incurred each year. What Nebraska pork producers are concerned about is that huge federal borrowing to finance that debt dries up the credit markets and makes it more expensive to borrow the money we, and all farmers, need for operating and every other type of loan. Of course, those high interest rates continue to keep the value of the dollar high on world markets and makes our exports that much more unaffordable. We urge the members of the Senate Agriculture Committee to consider this when voting on all thirteen of the major appropriation bills, not just agriculture.

The National Pork Producers Council (NPPC), of which we are an affiliate, is researching the problems of the Farm Credit System and how they relate to pork producers. Producers must have a credit system that is viable and available when needed. Once NPPC has completed their research, they will ask for the support of the Senate Agriculture Committee in working out solutions to farm credit problems.

It is a pleasure to have the Senate Agriculture Committee visiting Nebraska. We feel that it does give members an opportunity to speak to farmers and agribusiness and learn first hand about our needs and concerns. Thank you for allowing the Nebraska Pork Producers Association to be a part of your dialogue.

TEKAMAH, NE, *February 10, 1987.*

DEAR SEN. LEAHY, SEN. ZORINSKY, AND OTHER MEMBERS OF THE SENATE AG. COMMITTEE: I am addressing you today in letter form in order that you hear of the injustices that are occurring in the farm credit system. It is failing but could be helped with a fair price for our products.

I started farming in 1947 on a farm south of Valley, Nebraska. I was married in 1946 and had 6 children, 3 sons, and 3 daughters. I was in partnership in raising cattle for the years I lived on this farm. Eventually I moved to another farm to improve my situation without a partnership. This was in 1960 when we moved to the second farm near Valley and at this time I was introduced to the Production Credit Association. The interest was 5% and the operation went smoothly. Farming was not real profitable for me as flooding was a problem on this farm. Out of the six years I was hurt two years with high water from the Elkhorn River in the spring after planting. In 1965 the landowner died and it was in my best interest to find different farm ground which I could even purchase through the Federal Land Bank. We moved our operation then to 248 acres near Tekamah Nebraska. It was bought at the price of 250 dollars per acre.

Although the payments were made each year I was forced to refinance the loan with another institution when land values were soaring in 1974. This was done with Metropolitan Life. At this same time I was in debt with PCA. I had had 2 years of poor crops which refinancing only added to the burden.

In the early 1980's my farm debt with PCA kept getting larger as the interest was accumulating faster. Two of my three sons are farming and also have loans with PCA.

In the winter of 1984 just before Christmas, PCA informed me that I retire. I was 65 then and did not feel I could retire. The loan officer told me I should retire and he would want his folks to retire although it was apparent in my loan amount that I could not retire and make the payments. He took then a mortgage on my wife's 67 acres that had been in her family for over 80 years. There was another piece of land that we could have used but they wouldn't go for it. For '85 crop we used a producers loan from FHA. This loan was paid off from the crop in that same year. Also we paid on our PCA debt with the remainder of that money and put the calves sale on that debt. This was done in January of 1986 and was told when we made our loan review that we would be okay till fall of 1986. We had no idea that in less than 30 days from that visit they would send us a registered letter saying we had 30 days to submit a plan to pay back the whole amount or they would foreclose.

We contacted the Farm Crisis Hotline and got the name of a lawyer and began to work through him. We have had several neighbors learn the hard way to get a third person to deal with them. Our lawyer was another expense that was a burden plus it was a long season getting a crop in and out. We couldn't pay taxes so we could get a crop in. We borrowed from family pieces here and there to get the crop in. We didn't eat well so we could get a crop in. Our lawyer bargained with a group of people that are not easy to bargain with. We looked for a different loaning institution to get out of the PCA. We were turned down because we didn't want to borrow enough which is unfair. We finally got accepted at the Burt Co. Bank and are still fighting wth PCA for 6 to 7 thousand dollars they owe me for stock dividends in that organization. I could sure use that money. I am now 67 and do not need the extra debt because they aren't fair. I also need a fair price for my crops that my sons raise on the land I am trying to hold on to. I am no longer farming as my machinery was sold last September thanks to PCA. Listen hard as you hear what we are saying. We need to make a living and proper legislation is the answer. Give us supply management and a fair price.

Sincerely,

George H. Kahlandt.

February 10, 1987.

Dear Senator Leahy: I am George H. Kahlandt's daughter and would like you to listen to me also. I encouraged my dad to give me the history of his farm credit and to go to this hearing you are holding. He is one of many that has been put between a rock and a hard place. What is he going to do at age 67? What is going to happen to the land if we keep losing farmers like my dad who care for each fencepost, for each blade of brome for his cattle that he will have to sell, for the thousands of trees he has planted in his lifetime? I have picked up by hand thousands of rocks from the fields to help save the repair bills on the equipment. I have worked the pastures and fence rows to rid them of noxious weeds besides hoeing the bean fields by hand. He was there with me and my brothers and sisters and my mom. We worked as a family and now I see the System tearing all this apart. It does not need to be that way. We are in hard times and if they keep moving the farm families off the farms we will be losing the best tillers of the soil, we will not have the care given to the soil, but most of all we will lose family units that have been nurtured on the farm. Think about that, there is no argument that can replace the value of those people. We need a price for our products so that we have assets to take to the PCA, the FHA, and the banks. It would help the farmer also if mediation was a part of the plan to get the lender and borrower at the bargaining table rather than go through expensive and stressful legal battles.

I spent a lot of time giving my dad and stepmother the support they deserved in fighting for their land. It is not a pleasant situation but is further aggravated by the lack of communication shown by the lender. We need to encourage communication, my dad was depressed by the fact they would not do as they said, he had operated with them for many years. There is a growing distrust of those who once who looked on as having value in their words.

Thanks for listening to the many fine farmers in Nebraska. Give us a chance.

Sincerely,

KATHY CHATT.

IOWA HEARING—FEBRUARY 10, 1987

STATEMENT OF FARRIS GRAY, BEDFORD, IA

Owner/Operator of 840 Acre Grain & Livestock Farm, Iowa Master Farmer Award 1977, State Conservation Award 1976, Iowa State University Agricultural Advisory Council 1980-1983, Selective Service District Appeals Board 1983, Taylor County Conservation Board 17 years—Chairman 7 years, Taylor County Rural Water Council 8 years—Treasurer 8 years, Southwest Iowa Farm Business Association Member 21 years, District Master Pork Producer Award 1976, Bedford Community School Board 1976-1977, Bedford United Methodist Church—Former Administrative Board Chairman, Trustee 12 years, Youth Leader 10 years; Taylor County 4-H & Youth Committee 1965-1969, and Participant in Numerous County & Area Extension Seminars.

SUMMARY

Farm Policy must be a high national priority, because a thriving civilization cannot exist without adequate food. Today, the agricultural sector is in a precarious position. It will be the nation's Farm Policy that determines if farmers remain on the land and if our communities remain viable. Future Farm Policy and the economic fate of agriculture and the nation interface. To ensure this country's economic stability, a reasonable profit must be restored into Agriculture through effective and efficient National Farm Policy.

To the U.S. Senate Committee on Agriculture, Nutrition, and Forestry:

HONORABLE U.S. SENATORS: It is indeed a pleasure to speak to you today concerning agricultural legislation as it relates to our farming operation.

While working together on our 840 acre diversified farming operation, my wife and I have felt tremendous pressure the past five years. Our business includes a cow-calf herd and a farrow-to-finish hog operation. It is an operation which has helped provide food for our country, as well as for export around the world.

Farming is a business—a big business. We have hundreds of thousands of dollars invested in land, machinery, and livestock. But the cruel fate of being a farm family is that we buy retail, yet are expected to sell wholesale. When I go into a store to buy repairs for the machinery, protein for the livestock, or clothes for our backs, the sales person tells me how much he must have for his product. And that is the price I must pay. Yet, when farmers take grain and livestock to market, they ask, "How much will you give us?"

In 1987, farmers of America are failing because we are receiving the same price for our products that we received ten years ago, while everything we buy to produce our products is billed to us at 1987 prices.

My wife and I operate a medium-sized farm which grosses $125,000 to $175,000 per year. This farm size is in a group of 12 percent of our nation's total farms that is responsible for 69% of total U.S. sales. It is these medium-sized farms that are having some of the most severe difficulty under present economic policies.

Our land was purchased before the large increase in land prices, unlike the image fostered by those wishing to camouflage a severe agricultural economic problem by focusing on a few speculative agriculture investments made by a few entrepreneurs.

During the past 5 years, our net worth has decreased by 70 percent. A few more years with this rate of decline will find us insolvent. I am quite confident that five years ago we could have sold out for over $800,000—debt free. Today, as far as monetary value, we are losers.

In 1977, I was proud to be named one of Iowa's five Master Farmers—a title representative of good management practices. Now, 10 years later, we struggle to reverse the direction of our farm toward insolvency—a direction not caused by our poor management, as many will have you believe, but a direction resulting from the Federal Reserve's tight monetary policy, the massive budget deficits resulting from the 1981 Tax Bill, and the 1981 and 1985 Farm Bills.

Our direction toward insolvency is not the exception. We are representative of rural America. Our county ASCS Office reports that over the past five years, 40 percent of the farmers in our county have gone through bankruptcy, forfeiture, foreclosure, curtailed farming operations to seek off-the-farm jobs, or left the area entirely. For a recent survey my wife and I identified 30 young farm families that have left our area seeking employment—a bleeding of human resources. Our county ASCS office predicts that another 15 percent may leave or curtail operations because they cannot get financing.

I'm sorry to say I cannot be more optimistic—especially when we're told that we must lower prices to export. Under such a policy the value of farm exports continue to decline. We've seen a decrease of 40 percent in just two years.

Land prices in Iowa have declined nearly 16 percent just this past year. Two Iowa banks have already failed in 1987. As I planted and harvested our 1986 crop, I felt as though I were farming for the Government. This was a feeling I didn't relish—a feeling I had never felt in my 39 years of farming. As with many of our peers, we are very dependent on the Farm Program for our income. If the target prices and loan rates were to be reduced, we would no longer have a cash flow. I am proud to be an American farmer! But I'd prefer farming for parity—not charity.

Another serious problem we must address is the excessive interest rate being charged by the Farm Credit Services. The current rate of interest we are paying is over 13 percent, while the bank from which we obtain our operating money charges only 10 percent. I do not see any moral justification in the fact that Farm Credit System will finance loans to *new* borrowers at 9 percent interest and continues to charge us over 13 percent. If the Farm Credit Services would lower interest rates to all borrowers, most would be able to pay the interest and principal and there would be no need to foreclose on the land. This would keep many of the present owners on the land and also help stabilize the price of land.

The only way we are able to keep our payments current is by curtailing the replacement of machinery and foregoing any capital improvements. In other words, we're living on our depreciation.

This survival plan seriously hurts the rural community businesses, the manufacturing industries, as well as the labor force. Research done by Iowa State University reveals that when net farm income increases, the main streets of Rural America share in the benefits. We are witnessing the inverse of this theory in my home town of Bedford. A net loss of 29 businesses in Bedford during the past three years is a clear reflection of a suffering agricultural economy—an agricultural economy suffering from a no-profit malignancy—a malignancy which we believe is within the power of our policy-makers to safely remove or treat.

At this point in time, 45 percent of the taxes in my county have been paid. Last year, only 88 percent of the taxes were collected in Taylor County. This tax shortfall creates severe problems for our schools and county government.

The root of the problem is low farm income. Between 1942 and 1952, we had 107 percent parity, the government was able to pay off the debt of World War II, and we had full employment and little inflation. Can you believe that through the depression years from 1931 to 1934, we had an average of 60 percent parity, and from 1982 to 1985 the average was 56 percent? The 1985 average was 52 percent. This means that farm products on the average can buy only 50 percent of what they would during a period of 100 percent of parity. The Iowa Farm Business Association records show that the average farm in the Association has not shown a management return since 1979.

We must restore profit back into agriculture. A study and evaluation by Food and Agriculture Policy Research Institute (FAPRI) of the 1985 Food Security Act projects net farm income will decline by 27 percent from 1985 to 1995. With a Commodities Supply Management Program, net farm income would increase by 100 percent during these same years. The cost of Commodities Supply Management Program averages 11.6 billion dollars compared to an estimated 18.9 billion dollars for the Food Security Act.

Some will say that a supply management would be difficult to administer and police. The ASCS system is already in place. They have aerial maps and do yearly aerial surveys. In the past, we have had to prove yields, either by measuring bins or yield checks in the field for disaster payments or insurance benefits.

The ten year Conservation Reserve Program is a good program. There is a lot of land in our area that needs to be taken out of row crop production to save the soil. Also, this will cut some production. Taylor County ASCS Office Manager, Garnita Ewart, told me that she predicts the allowed 25 percent of Taylor County farmland quota will be signed up for the Conservation Reserve Program this year.

Consistency in a Farm Program is very necessary! But inconsistency is what we have had the past four years. In 1982 the Department of Agriculture refused to have a paid diversion because it would be "too expensive". In 1983 there was such a carry-over of corn that the PIK program was implemented—a program costing three times as much as a paid diversion would have cost in 1982. In 1984 and 1985 we had no paid diversion. And in 1986, due to the large carry-over of feed grains, we are faced with a 25 billion dollar farm program.

The only way we can get a fair profit back into Agriculture is to get supply in line with demand. In recent history, we have tried to get demand in line with supply.

This is a policy which is obviously not working. We cannot name another industry that does not match supply with demand. Commodities Supply Management Program would allow for a profit in Agriculture. This must be done now, not five years down the road, for then it will be too late for a large number of some of this nation's best farmers.

The American public is spending the smallest percent of its income on food in history. The FAPRI Report shows that with a Commodities Supply Management Program, food prices to the consumer would increase by an average of 7 percent during the next ten years. It would seem that the American consumer would prefer paying more for food than to continue paying taxes to subsidize inefficient farm programs. Even with a 7 percent increase in food prices, the people of America would continue to be spending the smallest percent of their disposable income for food of any country in the world.

Corporate Agriculture is not the solution. It would not be in the public's best interest to have corporate agriculture involved in the total food chain.

In order for us to create new wealth, the value of the product has to be greater than the input cost. Therefore, in the interest of the National Economy and Public Welfare, it is necessary to have a profit in agriculture, so we'll have the resources to produce an ample food supply.

We appreciate your presence here today. We are glad that you have come to hear our concerns first-hand. As citizens of a representative democracy, too often we find ourselves caring less about what happens, as long as it isn't happening to us. We all must realize, however, that there is no individual in our nation nor in generations to come who is not directly affected by food production and the productivity of the land.

FARRIS GRAY.

STATEMENT OF LINDSEY LARSON, JAMAICA, IA

I am Lindsey Larson, a grain and livestock farmer, from Green County in central Iowa. I want to thank you for this opportunity to discuss my concerns with the current farm commodity programs and proposed changes in those programs. I'm especially happy that you, Senator Leahy, have come to the Midwest to hear firsthand from farmers and others about the situation we face in agriculture today.

Farmers in Iowa continue to be under considerable stress financially. Last spring an ISU survey on the financial status of Iowa farmers indicated that about one-third of our farmers continue to suffer from severe financial stress. The Rural Concern hotline located in Des Moines has received over 20,000 calls since they began operation in February 1985. These calls continue to deal with topics such as financial, family, legal, emotional, educational, and employment questions. During the first three weeks of this year the hotline was receiving 220 calls a week. Over 75 percent of these calls dealt with financial and legal questions. And almost half of the callers were identified as having some emotional or stress problems.

You may also be aware that Iowa has a Farmer Creditor Mediation Service. This service has now had more than 4,500 cases referred to their mediators.

I would first like to focus my remarks on the 1985 Farm Bill and the way it has been implemented. The 1985 Farm Bill is not perfect, but I believe it contains basic goals which most farmers in the Midwest today support. I believe the current legislation provides an opportunity for us to work at reducing carryover stocks and expand our exports while providing some income protection to farmers.

STOCKS REDUCTION

The expected carryover of nearly 6 billion bushels of corn by this August is a major problem. We must continue to work at reducing these surpluses. We should continue requirements for set-asides and provide for additional paid diversions. The opportunity to divert up to 35 percent of our corn base this year may help to halt at least the growth in our surplus. However, more Midwestern farmers will find it difficult to set aside the full 35 percent because of the $50,000 payment limitation.

I support the continued use of PIK certificates for a portion of program payments to farmers. I believe these PIK certificates have helped us market some open stocks of feed grains while reducing government-held stocks.

The conservation reserve program of the 1985 Farm Bill has received almost unanimous support. This program has the potential of reducing our surpluses while providing an opportunity to conserve our fragile resources. However, I believe the enrollment of land in the long-term conservation reserve program should be accelerated and, the total acreage authorized for the reserve should be expanded. Requirements for entry into the conservation reserve program should be relaxed so that those farmers who are already using good soil conservation practices can participate.

EXPORT GROWTH

As a corn grower I've been disappointed with the growth of corn exports under the 1985 Farm Bill. But I believe we have a new competitiveness in the world market and that has at least stabilized our corn exports. The increases in exports of other commodities covered by the 1985 Farm Bill gives me hope that we can finally begin to expand our feed grain exports. I think we've sent a powerful message to our competitors that we are interested in exports and will be strong competition for them in the future. If we stick with this message, it may cause farmers in other countries to shift land out of feed grain production to other uses which will help with worldwide surpluses.

I know that Congress this year will also be dealing with trade legislation. Agriculture's trade problem, in general, is declining exports, not rising imports. Actions to reduce imports, whether of agricultural or industrial products, will be counter productive for the famers of this nation. Rather than helping expand our export markets any protectionist action could spark retaliation against our products and further depress farm exports. However, Congress and the administration should carefully monitor imports of agricultural products that compete unfairly in our market because of the unfair subsidies provided by other countries. Aggressive action should be taken immediately against unfair trade practices.

The loan rates that are included in the 1985 Farm Bill have helped to position us for future growth. We should avoid further reductions in the loan rates because of the immediate impact it would have on farm income and also the increased exposure for the federal budget.

INCOME PROTECTION

The target prices and deficiency payments associated with the current law have provided some income protection for farmers. This protection has been vitally important to thousands of farmers who have been faced with declining net worth, high debt to asset ratios, and negative cash flows in recent years. Target prices should continue to be set according to the 1985 Farm Bill. I urge you to oppose the administration's proposal or any other proposal to lower target prices beyond the scheduled reductions. In addition, deficiency payments should be determined by using the first five months of the marketing year, and farmers should receive their final deficiency payment in the spring of the following crop year rather than the fall of the following crop year. This accelerated schedule of the deficiency payment would help many farmers generate enough cash flow for spring planting needs.

Deficiency payments should not be reduced or crop basis adjusted if planted acres are less then permitted under the current program. This is an area where our current program has been somewhat counter productive because it has required farmers to plant all of their allowed crop acreage in order to qualify for the program. Allowing some form of "decoupling" as an option for producers could further reduce some of our production.

I would also encourage your committee to consider providing PIK or generic certificates to soybean producers in order to offset any loan reduction below $5.02. Any program considered should allow for a continued competitive position of soybeans in the market place but provide some protection for producers' income

MANDATORY PRODUCTION CONTROLS

I'm strongly opposed to any type of mandatory production, acreage control, or marketing quotas. I believe that programs requiring mandatory production or marketing controls will destroy our farm exports. The proper role of government should be to assure that we are able to compete fairly in the international market—not to take American farmers out of the market.

Considering the current level of carryover stocks and the negative impact of unrealistically high loan levels on both the domestic and export markets, I believe farmers would soon be forced to idle 40–60 percent of all crop acres. If farmers are forced to idle that many acres, they will be underutilizing machinery and equipment and this will be an incentive for them to expand their farm operations. This incentive would mean that existing farm units will become even larger and young farmers or beginning farmers will find it even more difficult and costly to begin farming.

As I indicated in my introduction, I am also a livestock farmer. By forcing unrealistically high support prices on the grain I must feed to my livestock, it will cripple my livestock operation. Livestock feeding has been a bright spot in agriculture this past year. A mandatory production control program could force many livestock producers out of business as their expenses dramatically increase.

We've sent a signal to the rest of the world through the 1985 Farm Bill that we intend to recapture a larger share of the world market. Mandatory production controls will send just the opposite message. We will be telling the rest of the world that we aren't interested in competing. If we try to compete by subsidizing our exports, this type of program will require huge government expenditures. And why should we subsidize exports going to the foreign buyer or processor when our domestic buyers or processors will have to pay the full government determined price? It seems to me that this type of program would drive our domestic processors out of this country.

AGRICULTURAL RESEARCH AND DEVELOPMENT

Current difficulties in agriculture should not obscure the longer run opportunities that agriculture offers. We must find new uses for our raw products. Our universities such as Iowa State University should receive additional funding to carry on new expanded agricultural research. This research should concentrate on areas that will add value to our agricultural raw products. I would encourage you to continue working with our universities to develop programs that will provide growth opportunities for agriculture in this country.

Farmers continue to face some very tough times as we move through this transition period. I hope we are near a new stability in agriculture and that we can see a return to profitability for farmers in the near future. The nation needs a healthy farm economy and family farmers who will provide the nation with a reliable food supply.

STATEMENT OF JOHN SELLERS, JR., CROYDON, IA

MR. CHAIRMAN, SENATORS: Thank you for the opportunity to speak to you today. I am a farmer in northeastern Wayne County which is in the southcentral part of Iowa. I produce beef cattle, corn, oats, soybeans and PIK Certificates.

I would like to direct my comments today toward farm programs, soil conservation and our environment. The Food Security Act with its Swamp Buster and Sod Buster provisions and the Conservation Reserve Program (CRP) are a giant step forward in the effort to protect and preserve our soil and water.

The Conservation Reserve Program is working just as envisioned in some parts of the country. In other parts, such as southern Iowa, it much more resembles a working model of Murphy's Law. The CRP, just as the annual program, rewards the individual who rapes the land and penalizes the producer who has been a steward of the soil. Qualification for CRP is based on cropping history and soil loss. A better qualification would be the Soil Erodability Index, which is the tendancy of the soil to erode if cropped. The man who has managed his land properly through long crop rotations, contouring and reduced tillage and who has gotten his soil loss down can't qualify—while his neighbor who is losing twenty to fifty tons of soil per acre by farming every inch possible does qualify. The Sodbuster Provisions of the Food Security Act are figured on the Soil Erodability Index while the CRP is based on crop history and soil loss. The result is tht the SCS people have to figure the same farm twice by different methods. This doesn't make much sense to me.

Both the farmers and the technical people at the field offices (that is ASCS and SCS) need to have clear, understandable and timely rules available to them in order to comply with these programs. It is terribly frustrating to the grass roots committees (both Soil District Commissioners and ASCS County Committees) trying to meet the needs of their neighbors when they read about new provisions in the newspapers before they receive them in the office or when the rules are being changed and updated constantly even into the signup period—as is the case right now.

The USDA, in its attempt to go into competition with its own programs this year, has created some other problems in my area. This latest incentive of payment for reduction in corn base has dramatically increased speculator activity and abuse of the rights of tenants and distressed landowners in varying degrees of mediation, foreclosure, or redemption. I feel the eligibility and the appeal process, especially with lenders involved, should be closely scrutinized. The USDA also shot themselves in the foot calling alfalfa or seeding an agricultural commodity and making it eligible to go into the CRP when it won't qualify from a soil loss history standpoint. It would qualify if the Erodability Index were used. So, guess what land will be going back into production—the most erosive and what was meant to go into the CRP.

In closing I would urge you to charge the USDA with the responsibility of being responsive to the localized geographical needs in utilizing its programs and using "common sense" whether it is qualification of land for CRP eligibility and Set-Aside acreage, to something like allowing farmers to plant food plots for wildlife which they can't to now under CRP rules. They also need to look closely at the bottom line return—at the end of this ten year program is all this land just going to get plowed up and go into production of cereal grains again? Or can we find uses for this land which don't continue the cycle of erosion, overproduction and then retirement.

STATEMENT OF JON K. VOGEL, BLOCKTON, IA

MR. CHAIRMAN, MEMBERS OF THE HEARING COMMITTEE: I would first like to thank you for coming here today, to gather information at the very scene of the rural problem, the home of a stressed people living in a highly stressed industy.

I am Jon Vogel, a farmer from Blockton in Taylor County. We operate a farm which classifies as the very high risk, we are told, middle-sized $100-to-$200,000 gross income family farm. It is a diversified operation with beef cattle, some grain, and a primary-enterprise hog operation. We are still operating where my great great grandfather settled around 1847.

My main purpose is to briefly express my concern for our nation as a whole as it suffers the effects of a drastically changing social climate in its midsection. Like the strong work ethic of the steel industry, we as a nation are contemplating the nearly total destruction of a very stable component of our national fibre. I don't wish to picture the agricultural segment of America as being more essential than any other. But I feel strongly that the opportunities it offers our nation to perpetuate the strong characteristics of independent thinking, the leadership to attack a problem with courage and practical resourcefulness, and a nearness to our most valuable resource, our soil, which constantly encourages us to strive for its moral use, are very essential for us to succeed as a free people.

Our nation, I sometimes feel, is starting down the corporate road of expedient actions to solve political and economic problems in the short-term at the terrible expense of the long-term well-being of our children and of the world as a whole. God gave us these resources to care for and nurture for His future plans, not to use for the purpose of paying the interest on a national debt, or to further manipulate global politics to fit the fears or shortsightedness of a group who will lead us today, but be gone tomorrow.

I realize that your purpose here today is to gather pertinent information on the agricultural situation of our area to help your colleagues in Washington make a group of wise decisions on which we as a nation may move forward. Although the concerns I have expressed above may seem very irrelevant in these very trying days of attempted budget balancing, I am afraid they will be the most relevant in the final stages of our nation's success or downfall.

If we keep eroding the backbone of our nation, one vertebra at a time, it will finally collapse in a spineless heap.

All we ask here in rural America is that you allow us to pick up the pieces of our past mistakes, support us as we correct them, and then ask us to do our part in continuing to provide the most efficient agricultural system in the world. One that will produce wisely, not to excess, a system willing to provide a product for a price which is morally right for all, and not to the special interests of anyone.

If you will but do this, I am sure we in the agri-business community will continue to reward our nation with the strong social and moral strength which has served it so well in the past. History is filled with the names of our rural brothers and sisters who have filled its highest offices in politics, education, militarily, and industrially. This kind of people can continue their influence on our destiny only if the basic environmental seedbed is here to nurture their growth and development, to restore the feeling of pride in the hearts of the youth, and to lift the burden of financial fear from the business men and women of our communities.

More government aid won't solve the long-term problem. Just give us the framework to place our production in line with the world's needs, and the initial support needed to work us into this framework. Then, and only then, will we be able to repay our nation with the strong foundation of wisely managed resources it so desperately needs to prosper.

I am afraid this level of commitment will not prevail in the minds and hearts of absentee landlords, corporate executives, and hourly-wage workers of the alternative agri-business system I perceive as being the other most likely alternative.

Thank you for your time and patience.

IOWA FARM BUREAU FEDERATION,
West Des Moines, IA, February 11, 1987.

Hon. PATRICK LEAHY,
Chairman, Senate Agriculture, Nutrition, and Forestry Committee, Washington, DC.

Enclosed please find a copy of the testimony of Marilyn E. Allender to be included in the record of the February 10, 1987, hearing of the Senate Agriculture Committee in Underwood, Iowa.

Thank you.

TED YANECEK, *Public Affairs Counsel.*

Enclosure.

ALLENDER FARM,
Jefferson, IA, February 10, 1987.

To Senate Agriculture Committee:

In this extremely troubled time for US Agriculture it might be easy to be influenced by catchy bill titles and rhetoric. However, we are in serious jeopardy of losing much more than we can possibly gain.

Sometimes called the last bastion of freedom, farmers would be seriously hamstrung by this bill. We do not need more regulation. Costs would escalate to provide all the regulatory bureaucracy and would force many more farmers off the land. This in turn would lessen income to both the farmer and the government. Displaced persons lose income, thus pay less taxes. One thing everyone can depend on is that an economically healthy agriculture in the US benefits all other segments of our society. Most farmers aspire to be productive citizens, leaving their land and communities in better condition than they found them; at the same time hoping and planning and working for a reasonable standard of living.

Costs of administering such restrictive legislation would be astronomical, making the only real beneficiaries those in regulatory positions and farmers in other countries. It would raise food prices for consumers across the board and in the long run not help the farmer. This bill attempts to turn the calendar back and it certainly does not fit into the reality of agriculture in the late 20th century.

Countries which employ mandatory regulations have historically soon been unable to supply even their own needs with their agricultural production.

The average age of American farmers is rising. We must make it possible for young people to become actively involved as farmers. This bill will make it prohibitively expensive for them to do so.

We must remember that government is the servant of the people, not the other way around.

Sincerely,

Marilyn E. Allender.

STATEMENT OF STEVE LETTOW, ALDEN, IA

DEAR SENATORS AND MEMBERS OF THE PANEL: I wish to thank you for the opportunity to express my opinions on the rural, agricultural and economic problems we are all now facing in this land. Some have not yet recognized the seriousness this problem harbors for America and the rest of the world.

I would like to state my opinion on some of the reasons for a coming debacle now very evident to many of us if we fail to address the task before us all.

I also would like to state my opinions on some possible solutions to the problem.

I feel the International Bankers, the Federal Reserve System, some multi-national corporations, large grain companies or Cartels and agri-business fertilizer and chemical companies are at the root of this problem.

They have influenced public policy in the U.S. and other countries to create these conditions by their lobbying efforts and in the case of the International Bankers and Federal Reserve System, a monetary policy that is designed to enslave the whole world in debt. In my opinion they are succeeding at an alarming rate.

They are accomplishing this by the creation of fiat money which there is no possible way for society to ever hope to pay it back. It is impossible!

The solutions to this debt financing which I feel are the root cause of most financial problems of this nation and its people and nations and people throughout the world are clear to me.

We, the United States, must lead the world back to a sound economical doctrine. We can do this only by looking back at what our Founding Fathers learned, wrote, and put into practice 200 years ago when they formed our Republic and designed our great U.S. Constitution.

It says "that Congress Shall Have the Power to Coin the Money and Regulate the Value Thereof, and of Foreign Coin". This, Ladies and Gentlemen is precisely what we are dealing with today. Congress no longer has this control because of the adoption of the Federal Reserve System in 1913. It must either be adjusted, modified or thrown out.

We must then relearn again how to create "Real New Wealth" (Real Earned Income). I believe we must begin again to monetize all Basic Raw Materials. Basic Raw Materials include Agriculture, Lumber, Mining and Fishing Products. "New Wealth" is a term that means all new raw material products that are brought into being, exceeding what was there before. (Thus the term used by farmers "New Crop" which refers to grain and livestock production.) By this system we have "New Wealth" added to our economy every year. This "New Wealth" creates income. Since this income is generated from a new source, it is called "Real Earned Income". It must then be worth something. How much is it worth? It is worth what it costs to produce it plus a reasonable return on labor and management. This is what we mean by Parity! Parity is a measuring stick or a type of index used only to measure.

These raw materials must not sell at a price less than 100% of parity. By selling these raw products at full parity in our nation we can then begin to create more new jobs, (jobs with parity wages I might add) that will create new demand for new raw materials, new manufactured goods, new services, etc., throughout this whole nation. We need a law that says "Thou Shall Not Steal the Production of Others"!

By these steps we can begin again to build a strong political economy as our Founding Fathers intended when they formed our Constitutional Republic.

By enacting these steps, our local, state and national governments will then receive new taxes from the increase in "New Wealth" of its citizens, not a tax raise but more taxes from higher incomes.

We can raise the national income enough to pay the bills (balance the budget) and with some left over we can start to pay off this horrendous national debt. In this way we can begin to break the stranglehold of the International Banks on our nation.

It has been proven many times over and many years ago that there is a ratio called the 1-1-7. This means that for every $1.00 in gross farm income earned there is $1.00 earned in labor or wages and by the time the first $1.00 in gross farm income goes completely through the national economical cycle, it turns over 7 times or creates $7.00.

By enacting these methods we would then raise our "Real Earned" National Income a very considerable amount, because today's farm prices are only 50% of parity or less. Corn for example is only 30% of parity today, Wheat is 36% of parity, Soybeans 39% of parity, Rice 20% of parity, Cotton 45% of parity, Beef Cattle 54% of parity, Hogs 61% of parity, and Milk 56% of parity. These are U.S.D.A. figures I might add. These are not the subsidized prices, these are the market prices.

So you see I believe this is the formula for a new course in economical freedom from financial debt slavery that I spoke of earlier.

This is what we mean by monetizing Raw Materials. It means to back our currency with Real Wealth not worthless paper. It would not be completely different from the Gold Standard but much better because we would have a renewable source of "New Earned Wealth" every year.

The next step we must take and it must be irrevocable, is to enforce tariffs or duties of foreign imports. We must not disallow foreign goods into our nation, only enforce the duty or tariff to protect our American producers, laborers, and manufacturers. We would do this by setting the duty or tariff at a price equal to 115% of parity of what it would cost us to produce that particular product in our country. Then this tariff or duty money would go into a special holding fund where nobody could touch it, or spend it. Then when that nation came to buy products from the U.S. this money would be issued back in credit on their purchases.

By doing this we could raise our standard of living and help them to raise theirs too. This is called Equity of Trade, not Free Trade. It also helps to promote world peace and justice.

This I believe would raise prices of raw materials throughout the world. It would get the American economy moving again with sound financial backing of currency. It would also help Third World Nations to monetize their Raw Materials and help them to pay off their national debts.

Some will say this will not work because it will increase costs to consumers too much. This is not true, because, you see, the consumer will also be receiving a parity income to buy these parity priced products and services. The consumer will possibly have to pay more than a parity price for foreign produced products. However, this is a price every citizen should be willing to accept to protect a strong economy backed up by a strong currency.

If we would adopt these policies, I believe we could lower interest rates considerably because people would soon grow into a position where they could get out of debt. They would not need to borrow money to live on as lots of farmers do now. They would still probably borrow for large purchases but not for every purchase as some now do. More people would be able to own their own homes and pay for them in a shorter period of time, leaving those people more years to save for their retirement years. There would be less demand for welfare because there would be more high paying jobs available. We could stop this exodus from the Rural Heartland to the cities. We probably would see some new faces moving back into rural areas. We could stop the deterioration of our church, schools, and mainstreet populations. We would have the income to maintain our schools, churches, pay our teachers a decent wage, rebuild our roads, bridges, interstates and railroads.

This then is what I feel our Founding Fathers and great leaders meant when they made these quotations throughout our history.

Thomas Jefferson said "If the American People ever allow the banks to control the issuance of their currency, first by inflation and then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children will wake up homeless on the continent their fathers occupied. The issuing power of money should be taken from the banks and restored to Congress and the people to whom it belongs. I sincerely believe the banking institutions having the issuing power of money are more dangerous to liberty than standing armies."

Abraham Lincoln said this "The Government should create, issue, and circulate all the currency and credit needed to satisfy the spending power of the Government and the buying power of consumers.

"The privilege of creating and issuing money is not only the supreme perogative of Government, but it is the Government's greatest creative opportunity.

"By the adoption of these priniciples, the long-felt want for a uniform medium will be satisfied. The taxpayers will be saved immense sums of interest. The financing of all public enterprises, and the conduct of the Treasury will become matters of practical administratiion. Money will cease to be master and become the servant of humanity."

I believe this is the same economical philosophy that Lincoln also was referring to when he was asked how our nation was to finance and build the Transcontinental Railroad. He said this ". . . If England builds the rails, they get the money and we get the rails, but if we build the rails, we get the money and the rails."

I believe this is also the same economical philosophy that Benjamin Franklin was referring to when he spoke these words ". . . There are three ways a nation can become wealthy. It can make war and take the wealth of another by force. It can trade freely and make profit by cheating. Or it can profit through agriculture, whereby planting a seed we create New Wealth as if by a miracle."

This I believe is also the same philosophy that William Jennings Bryan was referring to when he said ". . . Burn down your cities and leave our farms, and your cities will spring up again as if by magic, but destroy our farms and the grass will grow in the streets of every city in the country."

Wealth Creates Demand, Supply Follows! We don't need to raise taxes. We need to raise income of Raw Material producers to generate the earned dollars to filtrate through the economy so that people again pay taxes to keep the economical circle in balance.

Study what our Founding Fathers said and wrote when they designed the Political System of Economy.

Study this and you'll see that what they set up then is not what we have today.

If what we have in this country now is Justice, Life, Liberty, and the Pursuit of Happiness then maybe our leaders need to go back to school or perhaps take a sanity test.

At this time the legislation that comes closest to the ideals and philosphy that I have laid before you is the Harkin-Gephardt "Save The Family Farm Act". I am in support of this bill and urge you to consider the benefits it would provide to our total economy.

SOUTH DAKOTA HEARING—FEBRUARY 11, 1987

STATEMENT OF EUGENE ENGEBRETSON, GARRETSON, SD

Chairman Leahy, Senator Conrad, Senator Daschle, ladies and gentlemen. My name is Gene Engebretson. I would like to speak with you on behalf of the Garretson business community. I own and operate our family business, a local hardware store started by my father in 1948. Mine is one of the score or more businesses here in Garretson which every day feel the effects of a shattered farm economy depressing the once-great American Heartland.

Our local business community is deeply concerned, at times even frightened, that a declining agricultural economy is driving farmers off the land and our rural customers from our stores.

At times it seems that someone has declared war on rural America, creating farmer-refugees of our rural neighbors and forcing them to flee their family's heritage. Forcing them to the metropolitan "ghettos" where they swell an already overcrowded population which has proven itself unable to cope without massive Federal assistance.

This "war" on the farmer was not waged with bombs and infantry attacks, but with much more deadly weapons. Our rural communities were attacked with creeping inflation which slowly drove up the costs of production—with growing interest rates which gobbled up ever larger portions of the meager margin farmers operated on. And with suddenly declining demand and prices which forced farmers to scramble for every possible bushel and bale they could produce to generate enough capital to make ends meet.

Foreign governments imposed sanctions against our agricultural exports as they attempted to bolster their own productions. And instead of exporting our growing farm surplus, we exported our agricultural expertise to help our "trading partners" and part-time friends produce even more farm products to use against us in the foreign markets, assuring that our own farmers would receive even less for their production.

This slow, insidious war against Rural America attacked hardest at the most vulnerable, the young farm families.

Older farmers, while by no way immune to the cost-price squeeze, were better able to weather the attack because they were not as heavily mortgaged. But young farm families, the backbone of economic stability in rural areas, were forced off the land, taking with them a large piece of customer trade from our local business communities. The young farm families purchased more groceries, more clothes, more home supplies and furnishing, generating more revenue for our businesses.

With the young farmers leaving, our businesses have competed more intensely for dwindling revenues until like our farm neighbors only the older, more established have been able to survive. And every business that closes means another family forced from Rural America to the cities, causing increased competition for jobs and demands for services, and gouging an increasing chunk from the Federal budget.

The "war" on Rural America has eased, if not been declared over, and the country has realized "We must do something to save the farmer!" But that salvation has come not in the form of working to assure a fair price through a fair market system, but by encouraging the farmers left to produce even more grain, livestock and commodities, and by having the Federal government buy anything that couldn't be sold on the open market, putting it into storage.

Billions of bushels of grains and other commodities are put into billions of dollars of bins and warehouses in an effort to shore up an industry which is acknowledged as the most efficient, most productive on earth. An industry which could provide a satisfying, rewarding and financially beneficial life for hundreds of thousands of people if only it was allowed to work to its own potential.

It seems to us that the time has come to generate practical, sensible solutions to a national agricultural disaster. And its time to consider America first.

The United States prides itself as a caring, sharing nation, a watchdog of the world's well-being. We pour millions upon billions of dollars into other countries to give their people a better standard of living. The time has come to substitute our mindboggling farm surpluses for this foreign aid.

If other countries need assistance, give it to them in grain until this massive surplus is gone. If our aid-in-grain is more than they can use domestically, let them get rid of what they don't need.

And let our farmers have a stable pricing system for their crops which will pay their cost of production and return a profit without the existing surpluses forcing prices to rock bottom.

Instead of using billions of dollars from the Federal budget to buy and store surpluses, use that money to guarantee interest rates for operating loans to young farm families which will not penalize those in the worst financial condition and will let them return to the land with a chance of survival. The present system of graduated interest rates charged by the Federal Land Bank and the Production Credit Association do not fairly treat those most in need of a break on interest rates.

And couldn't we use funds now going to purchase and store farm surpluses to generate economic development in our rural communities to provide local jobs for young farm wives who want to help keep their families on the land? Can't we establish a Rural Small Business agency to assist Main Street America in its fight to hold on while the rural community re-establishes itself?

America rebuilt war-ravaged Europe following both World Wars, helping our allies and former enemies become strong, industrial nations. We have helped Korea heal the scars of that conflict and rebuild to a point where it rivals the world's electronic giants. And we compassionately send millions of dollars to Southeast Asia to help heal its wounds.

Can't we declare the war on Rural America over and show the same compassion to our own farmers and businessmen? And help them also climb back to a position of strength and vitality?

We believe that if America wants to, America can.

Thank you.

STATEMENT OF HON. TIM JOHNSON, A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman, I thank you for the opportunity to include my remarks for the record during this very important series of hearings on the farm crisis in the United States. I do not have to convince you that there is indeed a crisis. You can see that on the faces of the South Dakotan farmers; those who cannot make ends meet because of a farm program that is not doing enough to resolve the inequities in the rural communities of this nation; those who, if there is no change in Agriculture policy soon, will lose the farms that their parents, and their parents before them, worked so hard and so tirelessly to maintain.

I hope that these hearings will prove to the Congress, the President, and the nation that the current farm program has not provided the necessary protections needed for the small and family size farms. It is not right that the big corporate farm operations can make millions of dollars off of the Agriculture programs while the average farmer is losing money. Mr. Chairman, I have read a copy of our opening remarks in Chicago for these hearings and I do not think anyone has a better grasp of the situation or a better sense of where we need to go in this area. I applaud your efforts and I offer my assistance in finding solutions for these very troubling problems.

Again, I thank the Senate Agriculture Committee for holding these hearings and I especially thank you for visiting South Dakota on this tour of the midwest.

GARRETSON, SD, *February 11, 1987.*

To Chairman Senator Leahy and members of the Senate Agriculture Committee:

Our family background: I'm 39 years of age; my wife Dorothy is 35. We have two sons, Chad 12 and Troy 10. We are active members of Zion Lutheran Church. We both teach Sunday school and are youth leaders. We are members of the American Legion, past members of JC's, and currently I am serving on the county ASCS Committee. We are active in school and community events along with many 4-H events.

We are in the midst of a real financial struggle to save our family farm. It has been in the family for close to fifty years. We started farming in 1972 with help from my father and FmHA. We bought a 4010 gas tractor, disk and a plow. As for livestock, we bought twelve sows from my father at a reasonable price. We farmed 160 acres, with 120 acres tillable and 40 acres of pasture with a very reasonable cash rent. In the spring of 1974, we added 15 bred Hereford heifers to our livestock. Things went well and in four years we were on our feet; we moved from using FmHA as a lender to First National Bank of Garretson. In 1976, we were completely dried out. In 1977 through 1980, things were going well. We purchased 40 acres of land on contract for deed from my father. Also, we upgraded our line of machinery but by no means were we extravagant.

In 1981 we had our first year of farm loss of around $3,000. Before I go on, I might add that we have always used farm programs and Federal Crop Insurance. In 1982, we were farming 265 acres on our own and working together with my father, sharing his machinery and my labor. Thank God we had crop insurance. We were hailed out completely—another year of farm loss of around $8,000. Dorothy had to go to work at the school as a cook. Then came interest rates of as high as 18%.

In 1984 my father decided to retire. We bought part of his machinery and cows. We were able to use his buildings for a reasonable rent. This allowed us to increase our livestock production, (mainly hogs) and farm another 160 acres. In 1985, we farmed another 80 acres. Then came decreasing land values, machinery values, and low crop and livestock prices. The result was bigger farm losses of $20,000 to $25,000. In 1986, we farmed a total of 615 acres of land.

We raise corn, soybeans, oats and alfalfa. We have a small cow herd (about 30 cows), and we farrow about 80 litters of pigs per year. 1986 was a good year for us, and we are confident that things can turn around for us.

We cannot stand lower farm income; we need a farm program that is sound and stable from one year to the next. We believe we need mandatory controls of crop production. These controls should not be on a set number of acres per farm basis. Each farm should be allowed to sell a set number of bushels at a guaranteed price above the cost of production. Any excess would be sold on the free market.

We would also like to address the problems with lending institutions. When times were good in farming, they loaned money dollar for dollar on every asset you owned. Now when times are tough, the bank examiners cut your collateral values in half on farm machinery.

We tried several times to go from the bank to FmHA. FmHA said "tell the bank to relax; it's not that bad yet." Then when it got bad, the bank sent us to FmHA (supposedly the lender of last resort).

The Worthington, Minn. and Sioux Falls, South Dakota offices of FmHA are very uncooperative. Limited Resource Loans and loan guarantees are nearly impossible to acquire in these offices, while other FmHA offices around the area are very cooperative. Banks don't like loan guarantees because they don't trust the government to back them. The bank tells us they have no way of restructuring loans to spread payments out over a length of time. We believe that we need legislation that allows such restructuring. It may not save every farmer, but we'll bet it would save plenty.

In closing, we believe we need a fair price at the market, mandatory controls, and a program to restructure debt over a period of time in order to save the family farm. Without the family farm, all of the community (churches, schools, businesses, and civic groups) will suffer a great loss. Thanks for listening.

RON AND DOROTHY WILLIAMSON.

STATEMENT OF LENA S. STORMS, TRIPP COUNTY, SD

HOW WOMEN ARE AFFECTED BY FARM PROBLEMS

Women are finding it hard to cope in these difficult times—a woman feels the impact of the economy every bit as much as her husband. The housewife is an important force to be reckoned with—she purchases the groceries that feeds the world. She must be catered to—so it seems to be the thing nowadays to keep her happy with less expensive food. After all she is a voter too.

Farm women are the buyers of groceries and clothing for the family—she must buy within her means so what she buys is reflected by the amount she has to spend.

Most people think living on a farm assures that a farmer has supplies of eggs, milk—meat and vegetables. Most of us as farmers no longer raise chickens, milk cows—or slaughter our own livestock, quite a few do have gardens. So in reality we are a big part of the consumers who purchase food.

Our farmers sell their products seasonally, therefore the income has to cover the time when there is none. This brings a need for some kind of cash flow. Often the woman must supplement the farm income by working off the farm.

Our township, Beaver Creek—is small not the usual 6 miles square—cut off by Nebraska on one side and on the other by Todd County. Total population 29—five of them being children. 9 of the 11 farmers are land owners whose chief business is ranching. All have cow-calf operations and sell feeders either as calves or yearlings. Very little grain is raised and some corn. Three of these farmers raise hogs along with the cattle and there is one dairy farmer. Chief crops are alfalfa and sorghum.

Of these people 10 are over 60 years of age and two are over 80 years of age. None are newcomers. Two of them hire outside help. There have been no foreclosures and no bankruptcies. To my knowledge very little money is paid out by the government for subsidies here. How do the wives of Beaver Creek help make ends meet? We are 40 miles from out town of Winner—too far to commute for jobs which would not pay our gas. 8 of our women plant gardens and preserve vegetables—6 of them help operate machinery especially in haying season, assist at calving time and work with cattle—1 raises chickens and sells eggs locally—2 have been teachers of rural schools—1 is a teacher's aide—3 do crafts for local craft sales. There have been no divorces, child abuse or neglect. Does this area sound like a real place to live? We have our problems too—especially droughts! The point I make is that we are keeping afloat without government handouts—but we are much in need of getting better prices for our products. Unless conditions improve we can hardly expect our sons to take over. My husband and I were able to purchase our land originally with the help of the Federal Land Bank and 5% interest. Land prices have risen greatly as have interest rates. The future looks grim!

A study needs to be conducted followed by action to show how much the cattle imports could be reduced to allow us to market ours at a better price.

We ask for help to make our own way. It is so often proven when persons are given aid they become more and more dependent and the result—they have no incentive to work for themselves.

We are given two ends to work with—the one is to think with—the other is to sit on! Farming is a gamble so it depends on which end you use. Heads you win—Tails you lose!

STATEMENT OF PHILLIP K. CYRE, HAZEL, SD

These remarks are in addition to a brief statement made during the hearing on February 11, 1987 at Garretson, South Dakota.

As a 35 year old full-time farmer, I would like to make this statement in regards to present and future agricultural policy.

The current farm bill has been a total failure and has no hope of attaining its lofty goal of free market competitiveness and income protection for the U.S. farmers. I say this because it is obvious that the proponents of the 1985 Farm Act grossly underestimated the determination by our foreign competitors to undersell and outsubsidize our trade efforts. The administration has proposed accelerating the reduction in subsidy to U.S. producers and in so doing has defeated the second purpose of the 1985 Farm Act which was to be income protection.

I, personally, have experienced the results which stem from tightened credit restrictions coupled with a farm bill which mandates lower income for each year it is allowed to stand as law.

In the past 14 years, I have experienced most of the natural disasters that make farming a risky business, yet under present economic policy and after three straight years of bumper crops, I am closer to bankruptcy today than I was in 1977 after having suffered crop failures in both 1975 and 1976.

I suggest that the committee seek changes in the present bill which will first of all control production, secondly—place a high loan rate as the base price for world grain and thirdly—force restructuring of ag debt upon those institutions participating in guaranteed loan programs or seeking federal assistance.

I have the utmost confidence in the leadership we from South Dakota have elected to represent our views. Swift action is necessary to stop the rush to bankruptcy we are seeing in our state. I am available to testify in person in Washington if the opportunity is made available.

BRYANT, SD, *February 10, 1987.*

SENATE AGRICULTURE COMMITTEE,
Garretson, SD.

DEAR COMMITTEE MEMBERS: As a farmer, I am involved daily with the production of food for this country. I have found the agricultural industry an interesting subject for study and reflection. Agriculture has been the foundation of our society and economy. New wealth can only be derived from raw materials and food production is the United States best hope for unlimited raw materials.

Our present policy is, unfortunately, forcing concentration of this valuable industry. It is my opinion that this concentration of this valuable resource is a threat to our democracy. To avoid this, we need to keep the family farmer on the land.

The present policy has failed. Although it could be considered a welfare program for the family farmer, it has been a bonanza for the larger producer, putting them at an unfair advantage to the family farmer. I support the concepts of the Harkin-Gephardt farm bill legislation. It is advantageous to the family farmer and has disaster and credit policy included.

In closing, I would like to congratulate Congress for the new tax laws. I feel this will slow tax-investment farming. I would encourage you to close the loop-hole which allows Tyson and other huge corporations to be considered as a family farm. Thank you for coming to rural America for your hearing.

Sincerely,

ROXY KERKVLIET.

[The following material was submitted by Roxy Kerkvliet:]

To Whom It May Concern:

This letter is submitted as testimony to the Senate Ag hearing, not to be left on the shelf or unread, but to be used—copied whatever to tell the Rural America story!

I am more than willing to go wherever—to speak to share the story. I expect it to be used to shape the Family Farmers future.

Respectfully submitted.

JACKIE BJERKE,
Volga, SD.

CAN YOU IMAGINE?

A country founded by the American pioneers—farmers! Whose life is the land—who get their life from the land. Mother—father—children each with a job to do contributing to earn a living—to build a family—relationships—a community. On the job training for children to fulfill the future of the American farmer—to feed the world—to mold lives of caring and sharing to be the backbone of America.

Farming is not only an occupation—it's a way of life—based in life. Life from the soil and animal life—combined with human life. One man picks up a handful of soil and he gets dirty hands. Another man sees soil as dirt to be swept up or cleaned away. A farmer picks up a handful of dirt and he feels life—he knows life—planting—nurturing—harvesting!

Imagine the frustration—a farmer told to plant feed—produce—feed the world. He does better—gets more efficient to feed a starving world. He does just that.

Then comes "Lets take a look and see where we're at!"

Lenders—Experts—Government—everyone encouraged farmers to get bigger—better—produce more! "Let's take a look and see where were at began to fall into place. Farmers called in by lenders to look at the new financial statement—reduced to nothing with the lenders magic pens!"

First plan of attack—no more credit! First from the lenders and then with all farm creditors. The previous term that was used, "just sign a mortgage or security agreement to satisfy the examiners" previously just for show now stands firm—no credit—no sale of property—crops—livestock—take your choice—sell land, crops, livestock—turn the money over to lender (with deflated prices—no one won).

REALITY SETS IN

1. How can this be? What happened—I worked with my lender as a team—a handshake was a bond—my word was a bond.
2. How can I pay my bills—no credit—can't sell anything—as the lender will take the money.
3. What about groceries, utilities, phone—feed for the animals—can I get the crop in and out?
4. What are my rights—do I have any?
5. What will I do if I sell out? I don't have any training—jobs are scarce.
6. How can I face my neighbors—my creditors on the street—whom I cannot pay—most of them unsecured creditors.

CHOICES

1. Sell out—part or all (land has been in the family for generations—I failed—I'm letting my family down).
2. Fight to save my life.
3. Bankruptcy—who knows anything about farm bankruptcy—can't find a lawyer who knows either.

4. Abuse happens—verbal, physical, mental—its everywhere!
5. Drink your way out—anything not to have to deal with reality.
6. Divorce happens—we each blame the other one if only you had——
7. Dishonesty—this isn't fair—I'll get even by——
8. I'll have to get another job.
9. No self worth left—suicide.
10. Murder? No one is going to get by with doing this to me.

OBSERVATIONS

Partial or complete sell out at deflated prices—you never get even—you can't service farm debt with city income.

Bankruptcy—follows you wherever you go—pay someone else to pay your bills for you!

Lenders who have been asked to release funds for groceries—utilities, and phone refused——

Dishonesty can happen when you're pushed to far—hungry people—hungry animals—creditors calling day and night—you see something to temporarily get relief.

Drinking happens—just can't cope!

The family—a working unit—on the job training for life! Everyone participates—absolute turmoil. Dad worries how to provide for this family he loves so much—Mom says I'll have to go to town and get a job. Children can't participate in activities—no money—no gas to get there—kids get isolated at school—withdraw into themselves—fend for themselves—no supervision or support!

The family draws away from society to its own family unit—but the unit isn't functioning—no laughing—smiling—no fun activities—screaming—hollaring—fighting—abuse—blame—drinking—divorce—or worse separation of husband and wife but still living under the same roof.

Self worth is gone! Words are said and cannot be taken back—Actions cannot be undone.

No regular meals—can't sleep at night or you're so stressed out you fail to get your work done at all. Its an effort to do daily tasks—brush teeth—wear clean clothes—comb hair etc.—you just let yourself go. Communication is gone—no closeness left—how do you get it back! Many times for men—machinery breaks down—no money to fix it—so it just sits—same thing with house farm upkeep. Many times wives end up being the mediators or negotiators.

You don't have money to fill the gas or diesel barrel so you haul fuel from town in cans in the car.

You don't make rational decisions when you're stressed to the maximum.

FOR ME PERSONALLY

We fought—for 3 long years—reorganized debt. We have 4 children 6, 9, 12, 15. Were dairy farmers—tied down day and night. I have a job full time! Working at a gas station. I came to work worn out—stressed out. Communication has broken down in my family—kids stressed—need mom at home—Dad isolated left to struggle at home—lonesome—needs time with us—needs help. Her trapped to 15 hour days then comes spring! Kids lonesome—they don't understand! They need love—snuggling—organization to life—but they also need to eat—be warm and have clothes to wear!

How far do we have to go before this is completely irreversible! If we lose this way of life it will be gone forever!

Can you imagine your life under your own circumstances—wiped out with a magic pen? Where would you go—what would you do to feed your family?

You have been put in power in authority to lead—to make decisions for all of us! Be still—close your eyes—take 5 minutes to 30 minutes—put your family in the farmers situation, try to understand! We can't lose the family farmer!

I ask for the opportunity to address the Senate—House—President whomever will listen. Its hard to communicate on paper! The story needs to be told and retold!

Respectfully submitted.

JACQUELINE K. BJERKE,
Volga, SD.

STATEMENT OF MARIE FISHER, SPOKESWOMAN, WOMEN INVOLVED IN FARM ECONOMICS

Thank you for permitting me to submit testimony. My name is Marie Fisher. I am Spokeswoman for South Dakota WIFE (Women Involved in Farm Economics) and

Tripp County Farmers Union Legislative Director so a member of the South Dakota Farmers Union County Councilors. I'm also a member of the Wheat Growers and American Agriculture Movement.

Last fall, I visited on the phone with Milton Hertz, Administrator of the Agriculture Stabilization and Conservation Service in Washington, D.C. It was at this conversation that I found out that, in the 1985 farm program, farmers cannot plant grass and use those grass strips for set-a-side year after year without losing base because we are required to farm our set-a-side acres two out of three years. Mr. Hertz stated that he wanted this changed, so I have been working ever since to get the change by contacting legislators in D.C. and getting it into the South Dakota Farmers Union and National WIFE policy.

Our experience in the last six months stresses the importance of being able to plant grass to prevent erosion. We ordinarily get about 2 inches of rain in September, but last year, we got about 8 inches. Last September 3rd, we got over 4 inches in about a half hour, causing severe erosion on some of our summer fallow ground that was all ready to be planted because we ordinarily start to plant about September 1st. We got most of the summer fallow wheat planted but several strips drowned out because it was just too wet. We were able to replant some, but those that were too wet, are now eroding from the severe wind storms we have been having recently. KELO-land TV on their February 2nd, six o'clock news showed pictures of the South Dakota dust bowl.

We are able to raise just about as good a wheat crop when we plant wheat after wheat or Barley as we do wheat after fallow but this year, our fallow wheat will be the poorest.

We are required to set-a-side 27½% of our wheat base and this may be increased to 35%. We are also required to set-a-side 20% of our feed grains base and encouraged to set-a-side up to 35%. This means that we are able to set-a-side over a third of our farm land. This is far too much to be summer fallowing and opening up to erosion. For this reason, I have been working to get the 1985 farm program changed so we can plant land to grass and use this grass for set-a-side year after year without losing base.

Statement of Larry Krcil, Graduate Student and Research Assistant, South Dakota State University

AGRICULTURAL EDUCATION VIS A VIS AGRIBUSINESS TRAINING IN THE LAND GRANT UNIVERSITY SYSTEM

Senators Leahy and Daschle, thank you for coming to South Dakota. My name is Larry Krcil. I am a graduate student in animal and range sciences at South Dakota State University. I wish to share with you my observations and experience in seven years of undergraduate and graduate work at this institution, and I would venture these observations would hold true in much of the land grant system.

It is evident to me that the thrust of my education has been for the advancement of technology with little regard for human and moral implications.

When I expressed a desire to pursue a broad agricultural educational supplemented with courses to give me an understanding of the ecological, moral and value questions associated with our agricultural production system, I was promptly discouraged and told this would not make me marketable for jobs and I should specialize instead.

Last year when I expressed concern to a SDSU college dean the increasing specialization and technical focus of our public educational system, and that as a society, we are waning in our responsibility to give young people a well-developed college curriculum with the purpose of teaching students to be thinkers and problem solvers. His response was—"We'll leave it up to our Harvards and Yales to train our thinkers and problem solvers but here at SDSU, we will train people the way industry wants."

Last week in the SDSU newspaper, *The Collegian*, a senior journalism student stated that "getting a job is what college is all about." My God! Are we as a society so shortsighted that our only concern for education is to train people to be financially successful without any concern for developing thoughtful citizens who will be our next generation of thinkers and doers? Could we be digging our own grave in this process?

My concerns are supported by a recent study released by the Carnegie Institute for the Advancement of Teaching which found that 90 percent of American high school students and 88 percent of parents believe that a college education is for getting a good job. Only 28 percent of the parents and 27 percent of these high school students thought college was a place to become a more thoughtful citizen.

Last October, U.S. Secretary of Education William Bennett told an audience at Harvard University that its undergraduate school was failing to provide a solid moral education.

I profess the same concern in a greater magnitude for our Land Grant universities. Unfortunately, in my experience, the pursuit of "education with the sole purpose of getting a highly paid job" and "highly technical training without any concern for learning values" is a pervasive and frightening reality among students, faculty and administrators at SDSU.

Senator Leahy, your predecessor, Senator Morrill, also from Vermont, fought tenaciously and successfully to set up the Land Grant educational system. His intent in the organic law was to bring to rural people and to urban workers an educational system that would teach thinkers and problem solvers in the same vein as the then existing Harvards and Yales. Should the present so-called agricultural system of education continue to be maintained by the public or should technical training be funded by industry and return college education to its original intent?

Dear Senator Leahy and Senator Daschle, I urge your awareness, your concern and your action in this vital area for the common good of our people, our agriculture, our resource base, our nation. Good government policy in all areas of concern must be formulated and carried out by leaders and citizens who have been educated to be thoughtful human beings.

Thank you.

STATEMENT OF FR. LEONARD KAYSER, SIOUX FALLS DIOCESAN DIRECTOR, CATHOLIC RURAL LIFE CONFERENCE

ARE THERE UNADDRESSED QUESTIONS

I am Fr. Leonard Kayser, the Sioux Falls Catholic Diocesan Rural Life Director for the past fifteen years. I have served rural parishes in East River South Dakota for 23 of my 27 years in the priesthood. Currently my Rural Life position is full time because our Bishop Paul V. Dudley wanted our people to know of the great concern of the Church for our people at this time.

May I begin with what may appear to be an unnecessary question? What is our purpose here today? Is it to hear from those in crisis (yes, there is a rural crisis) about farm credit, prices, deflated land and property values? You already know the immediate issues which our people speak tearfully and pleadingly again and again.

I'd rather speak to the crux of the problem: what kind of farming system does this nation want to produce its basic food needs, its meat and dairy products?

It would help both urban, suburban and rural people to start with being honest! So, let's be honest. Farm policy for the past thirty-five years, in conjunction with research education and tax policy, has either consciously or unconsciously put into play the death of families on the land and in rural communities. When we add the refusal of farmers/ranchers to practice self-discipline and the conflicting agribusiness interests, who also seek to dominate farm policy, the circle is complete.

Dr. Harold Breiymer (U. of Missouri/Columbia) says: "The crux of the issue is that so attractive a system does not come about, not sustain itself, of its own accord. A system of that kind can be established and kept only if the body politic consciously sets up the institutions that are appropriate for the purpose. A system that self-equilibrates does not self-establish nor self-sustain. This is one of the most pervasive, discouraging, and yet challenging of all economic principles.

"It is a general rule, and almost a paradox, that the more self-regulating the economic system, the more precisely must its institutions be designed. The process of design blends factual data with a sense of purpose—with vision.

"If we want rural America and its agriculture not only to be productive but also to offer opportunity, to achieve an acceptable degree of security, and to be marked by economic justice, that goal must be not only recognized and verbalized but given concrete reality in appropriate rural institutions."

We ask again, what kind of agriculture does Congress want? What kind of agriculture does this Nation want?

(1) Will the new industrialized, integrated agriculture maintain stable, abundant supplies of the basic foods, meat, dairy products and feed grain as in the past? Where is the research?

(2) Will the industrialized agriculture view land stewardship and conservation in the same light as families on the land? Where is the research?

(3) How will the control of and/or access to land held by a few affect this country? Will we be the first in the history of mankind to avoid the chaos and bloodshed that even now parade our planet—from Palau in the South Pacific, to the Philippines, to Central America?—from the relatively recent history of the Ukraine to China? How many costs of industrialized farming can this American society pick up? In present economic modeling water and chemical pollution, subsidies for irrigation, the emptying out of Rural America, these and other factors are all considered externalities and are not entered into any cost/benefit analyses. The externalities are charged to the public!

(4) Once access to land by common people is foreclosed, what method can a Government use to return the land to the people? Where's the research?

You must first define the system the public wants. Urban people seem to understand the definition of family farming better than family farmers, their economists, and the politicians. We have drifted into integrated operations such as chicken factories, broiler operations, custom feedlots, horsebreeding farms, flower production units. Yet these are listed as farms. (cf. 400 Largest Farms: Successful Farming) John Hancock, Prudential, Cargill, are termed family farms. The most glaring example presently is Tyson Foods who report $1.5 billion in poultry and hogs. They are still to be considered a "family farm" under the new income tax code.

These we think are critical issues and we do not find the research to validate their acceptance.

Some stop gap measures are needed now, immediately. I would like to mention a few of the major measures: moratoria on all foreclosures; access to capital at a just rate of interest; mandatory cross compliance for conservation of our precious soil and water resources; a return to the original charter for the Land Grant College system. Senator Leahy, your predecessor, Senator Morrill also from Vermont, fought successfully to inaugurate the Morrill Act and the Land Grant System. The intent of that Act was to educate agriculturalists, not simply to train people to be employed in agriculture. Forgive me for being trite, but agriculture is more than a business, more than making a living; it is a way of life also, to which people must be educated.

Education should help farmers and ranchers to truly understand their situation with a delineation of the options so they can solve their problems. While Land Grant research set up centers of genetic engineering, to deploy marvels such as the super-cow, the farmer is left in ignorance of his true condition.

Senator Daschle, may it not be true to say that the current divisiveness over the current Food Security Act and its multiple alternative Acts in this Congress, be another camouflage further disguising the need for research spoken of earlier? Again urban Congressman will be allowed to say: "Farmers will never be united so how can we formulate a program for them?" Just maybe, just maybe, the land and rural community is so important to our Nation that this becomes more important than family farmers! You suggested to us at our Sixtieth Anniversary of the National Catholic Rural Life Conference in Des Moines, Iowa three years ago: The land may be of more value to us in the long run than is the individual farmer, meaning, individual rights do not always take precedence over the common good. Just maybe urban Americans will have to purge us and bring this rural cannibalism and economic efficiency to an end.

Again I quote Dr. Harold Briemyer: "From Biblical times to the modern era, the question surround the rural portion of a nation has never changed. It asks who will occupy it, and under what sociological, economic, and political terms. Where a rural area is primarily agricultural, the question converts to who will own, cultivate, receive returns from, and protect the land—and under what terms of relationship to the rest of society.

"Throughout history, the dominant issue in agriculture and the most explosive one too, has been the terms of access to land. Closely tied to it is who is to get the returns from land—not just returns to labor and management but the "unearned" return of rent, which arises in the scarcity of productive land."

We realize this requires a complete change in values. It is not an overnight process. Stop gap measures are vital. But meanwhile, the agriculture house keeps burning and if we don't begin to act, the nation will awake one morning, see only the ashes, and ask: "What happened?"

I thank you for coming to hear us in South Dakota. I pray that this will not be the limit or the end of your listening and searching.

STATEMENT OF DENICE ZEISLER, GREGORY COUNTY, SD

My name is Denice Zeisler. My husband, Leonard and I have a farm/ranch operation in Gregory County, southcentral South Dakota. We have three children, girls 19 and 15, and a boy 10. We are true family farmers as we have not had a hired man for several years. Everyone of us has worked hard to try to ensure a successful operation, but the operation has not been financially successful. That is why I am offering this personal testimony. Testifying to give a true account of the economic situation in our rural community. I'll be concerned with the happenings first in our community and then my family. This will not be a doom and gloom issue but a statement of the true situation as I am deeply concerned about the future and what is happening to the children in the community and the country.

First, as to the rural community situation. In the past few years I've seen the following businesses close; an implement dealer, clothing store, feed store, an auto dealer, fabric store, general store, grocery store, and a parts and repair business. The remaining businesses are feeling the economic loss also as people are not spending the dollars they do have; it is kept for necessities. I know this to be true, because when I go to town I return home with only what I went after, not an item that was not required.

Also, there are farmers in the area who have gone out of business or been forced out. Others are in bankruptcy or are being told to do so. Some have managed to find employment in the community, others have left. This makes fewer dollars and people to support the community and businesses.

The economic situation is destroying our feeling of self-worth, our pride and our morals. Fellow students used to laugh because our children were not using the free lunch program. There is also the stress involved due to the economic situation. One is constantly wondering where the next dollar is going to come from. Who is calling? What can I do? What should I do? Tempers become short. Then our name appears in the paper because we couldn't pay our taxes.

I've considered going back to work; jobs are limited in our rural area. I'm also one of the laborers on our farm. It probably wouldn't pay and certainly not a hired man's wages.

I've an idea that I feel would be successful as a cottage industry. Financial support is not available and the laws are not conducive for such an industry.

So today we are on the verge of declaring bankruptcy. Federal Land Bank will not accept any of our proposals and the bank will not lend money to us. And we do have a possible means of coming out of this given a little time and some help.

Help could come in the form of lower interest rates, a price for our grain and have cattle and hogs remain high, possibly through production control or the production of ethanol. One fellow farmer who was all but done for managed to find 5–7% interest and he said it is unbelievable how things turned around and it's working. It shows on his income tax for this past year.

About nine years ago the Winner Wheat Processors came into being. They have been striving to build a food plant that would create 70 jobs during the year of construction and 35 new permanent jobs. They would consume surplus grain producing vital wheat gluten (49%), ethanol (43%) and distillers dried grain (8%). High interest rates and funding have held up the building of this plant.

Another point is the fact that there are not any young people going into farming. They see that it is not working and go on to other things.

Now comes the hard part, to say that we, my husband, my children and myself, have not succeeded in the operation of our farm. We have not been able to maintain our standard of living. We have to admit to free lunches, commodities, and possible bankruptcy.

We have always farmed first and have done what needed to be done. Fighting the cold, storms, equipment breakdowns with determination and hard work. But financial security has not been ours due to low prices and high interest. Even to come close to the cost of production would have been some success. But due to the lack of income we are being forced to lower our modest standard of living. We've eliminated most of our magazines and these were our entertainment. We've bought less food, fewer clothes. Constantly cutting and cutting.

In order to ensure food for our family we applied for free lunches. Next we applied for commodities. And it is not just us; the lines get longer and longer.

If farmers and ranchers would make a profit we would purchase more items such as machinery, cars and clothes. We would create a demand for such things, creating jobs and revenue. Now is a good time to remember that the agricultural dollar turns seven times.

The above statements are true and accurate. If I was the only one in trouble I would not be presenting this testimony. This is not a gloom and doom story because the situation can be turned around and prosperity for all can be a reality, not a hope.

Thank you.

STATEMENT OF ERIN C. BERKENPAS, AGE 13, SEVENTH GRADE, SIBLEY-OCHEYEDAN SCHOOL, ASHTON, IA

THE BALL IS IN YOUR COURT—GO FOR IT

When Abraham Lincoln signed the original Homestead Act in 1862, he did so with conviction. He firmly believed that the key to freedom and democracy was for the land to be owned by those who were willing to make the sacrifices necessary to settle on and farm it. As a reward for their efforts, when all the qualifications were met, the settlers were given ownership of that land by the United States Government. This law and similar laws were major steps toward making The Family Farm An American Institution.

In the spring of 1874, after many homesteaders had already fled from Northwest Iowa or died, William R. Foster arrived in a covered wagon from another land. He brought with him his wife, Mary, baby Charlotte, and a few possessions—motivated by a dream and a goal. His dream: to own land in what he believed to be the greatest nation under God. The Promiseland! His goal: to provide for his family from the land and have enough left to repay the government for making his dream a reality. (Perhaps through taxes). He planted several acres of trees as required by the Timber Culture Act to homestead their 160 acres. The federal government had made that possible. They knew that this area would only be developed if people with a strong will and conviction would be encouraged to settle here. People like William Foster.

He was a true pioneer. He gave everything he had to be an American. He helped to make America great. He reached his dream and his goal. He survived the grasshoppers, prairie fires, scorching summer sun, cyclones, and winter blizzards. Life was nearly impossible. He persevered. He conquered the land. A true pioneer spirit. He was my great-great-grandfather.

As the fifth generation on this farm I'll have to have that same pioneer spirit, assuming the farm will still be in our family when I am old enough to make my decision to stay on the land.

William Foster's struggles were different but no harder than what our family is now dealing with. He had the government backing him 100%. His government believed that this country couldn't guarantee freedom without doing everything possible to get the public lands into the hands of the common people. His government believed that the public land belonged to the people and that each head of a family was entitled to a home or farm and it should be protected from seizure for debt. Now, here we are 113 years later, and my family is still trying to save this land. William Foster's only struggles were with Mother Nature. My parents only struggles are with the United States Government! With their policy to get all the land back into the hands of the government or large corporations. We have seen copies of the Congressional Record where this policy was set. The goal being to get farmers off the land. This is NOT the American Way. If you want to see this information, let us know.

We kids are constantly being told that we must be proud that we are Americans. I feel lucky to have been born in America. I'm proud of my ancestors. I'm proud of the government that represented the homesteaders and early settlers. I want to be proud of our government.

My mom has been to Washington a few times to lobby for farm bills and to do research. She met with thirteen of President Reagan's Agricultural Economists for four and a half hours one day. That trip and meeting were a result of my writing to President Reagan about the problems in Rural America. He wouldn't read or answer my letters but referred them to Mr. John E. Lee. (The top person in the Economic Research Service.) Since he started answering my letters I started writing to him. As a result of those letters he agreed to meet with my mom and dad. My dad couldn't go so my mom went with one other person.

My parents go to more farm meetings than anyone else I know. They haul Sean and I to a lot of them. We are no more intelligent than other kids our age but we sure know a lot more about what is going on in your "adult world" than most kids or adults.

I can't believe that the people in Washington can mess things up so badly unless you are doing it on purpose. Why? Who benefits? So many of your decisions and policies only cause pain, suffering, and poverty.

We need for you to care enough about this country to be willing to take a stand and fight to preserve the freedom and democracy that so many have died for.

The solution to the farm crisis isn't that complicated or complex. Farmers need to receive a price that reflects a profit. We must quit importing products that we already produce too much of here. The food that comes into this country should be labeled so that the consumer knows where it came from. The food that comes in should have to be raised with the same rules and restrictions that our farmers have to follow. It's not fair to the people to allow them to eat food that has been raised with all kinds of chemicals and not know it. The food shouldn't be allowed to come in at a lower price than our farmers are getting for their products. None of these are too much to ask for. Fair is fair.

It's not a question of whether or not you can help the farmers. The question is whether or not you are ready to make the commitment to make the decision to do what's right. Do you have what it takes? You better or it will be too late for my generation. You people will make decisions in the next few months that will decide what my life will be like as an Adult American and I can't even vote. Please take your conscience to work with you!

South Dakota Farm Bureau,
Huron, SD, February 20, 1987.

Hon. Patrick Leahy,
Chairman, Senate Agriculture Committee,
U.S. Senate, Washington, DC.

Dear Mr. Chairman: I wish to submit these written comments to the Senate Ag Committee because the South Dakota Farm Bureau was not allowed to participate in your committee's hearing in Garretson on February 11th, 1987. I will limit my comments to three areas—farm program, trade, and ag credit.

FARM PROGRAM

Farm Bureau's number one goal is to increase net farm income. We favor a market-oriented agriculture where supply and demand determine production and price. Farm programs should be designed so farm income results from the market and not from government farm programs.

We support the direction of the Food Security Act of 1985 and support its goals of competitiveness in the world market, voluntary stock reductions, and current income supplement programs as the transition to market orientation is made.

We are strongly opposed to any type of mandatory production controls, acreage controls, or marketing quotas. Programs that include mandatory controls will destroy farm exports and cause farming and ranching to become a considerably smaller and weaker U.S. industry.

Farm Bureau does support the following minor modifications to the Food Security Act of 1985:

1. Determine deficiency payments by using the first 5 months of the marketing year.
2. Storage payments to producers should be equal to commercial storage rates.
3. Deficiency payments should not be reduced because plantings were less than permitted.
4. Prohibit the planting for harvest of nonprogram crops on "underplanted" acres.

TRADE

Any new trade legislation should be export oriented rather than import protectionist. If we attempt to reduce the trade deficit by introducing import restrictions, whether across the board or product-specific, we will ultimately make matters worse for both the U.S. and world economies.

Congress should concentrate on the root causes of the U.S. trade problems such as foreign unfair trade practices, the U.S. budget deficit, reduced U.S. competitiveness and sluggish foreign economic growth.

Any omnibus trade bill should aim at getting our own house in order in terms of removing existing barriers to U.S. competitiveness. We must strengthen our ability to respond to specific foreign unfair trade practices by making the complaint process quicker, less costly to domestic producers and by reducing foreign policy influence over legitimate trade concerns.

Foreign economic development is the key to increased U.S. farm sales. We recommend an aggressive agricultural market development program be carried out, including sales missions, revolving credit, interest buydowns, innovative barter programs, expanded P.L. 480 programs, export bonus programs, use of Export-Import Bank financing and funding for market development programs.

CREDIT

Producers need a variety of credit sources at the lowest possible interest rates. Competition will provide the best assurance of an ample supply of farm credit at affordable prices.

We urge that a secondary market for farm mortgages be developed. A recent study by the insurance industry shows this could reduce interest rates by 1 to 2 percent. While this is not a panacea for all ag credit problems and is not designed to handle problem loans, it would provide for additional sources of credit and thereby lower interest rates to farm borrowers.

Farm Bureau also believes that preservation of the Farm Credit System is in the long-term best interest of U.S. agriculture. Any changes in the system should be geared to protecting the farm-borrowers interest by adhering to the following basic principles:

1. Continuation of a borrower-controlled organization;
2. Decentralization to the maximum extent feasible;
3. Lending limited to farmers and their cooperatives;
4. Full disclosure of financial condition;
5. Protection of the value of member-borrower stock;
6. Pursuit of meaningful and effective loan restructuring; and
7. Prompt infusion of federal government capital as needed.

We thank you for the opportunity to present these comments and urge your careful consideration.

Sincerely,

RICHARD EKSTRUM,
President, South Dakota Farm Bureau.

STATEMENT OF JAMES J. DAILEY, DEUEL COUNTY, SD

The local land owners and operators in Deuel County, South Dakota, have some concerns about the Conservation Reserve Program requirements. Concerns are listed as follows:

1. The soil loss requirements of three times the allowable tolerance for soils are too high for most local operators to qualify in any significant amounts.

2. Excessive erosion has to be on ⅔ of the field before the field will qualify for CRP whereas in the sodbuster program, only ⅓ or 50 acres of a field is required to make a highly erodible field.

3. We believe fields that are considered to be highly erodible in the sodbuster program should be eligible for the (CRP) Conservation Reserve Program.

4. We believe the program (CRP) would be better served if qualification requirements based on soil capability class III and above that exceed the soil loss tolerance for that soil should qualify instead of 2–3 times the tolerance.

5. We presently have in our county, cropland that is losing in excess 10–20 tons per acre per year due to steep slopes and shallow soils. These fields do not qualify for the CRP program because the condition does not consist of ⅔ of the field in question. Most of the field would qualify if the requirement was ⅓ of the field and we would be saving valuable soil that we can ill afford to continue to lose at these rates.

6. We would like to see the CRP requirements be brought more in line with the sodbuster program of ⅓ field requirements based on soil capability class 3 and above that exceeds its soil loss tolerance.

With these changes, the program would be beneficial for the operators and serve the purpose of its intent.

STATEMENT OF TOM WINTERSTEEN, SIOUX FALLS, SD

My name is Tom Wintersteen. I am involved in farming in eastern South Dakota. I recently attended the Ag Committee hearing in Garretson, S.D. which was offered by yourself and South Dakota Senator Tom Daschle. As time would not permit all statements to be heard at that meeting, I am grateful for the opportunity to submit this written statement for the committee record at this time.

I feel no need to elaborate on the horror stories and trauma being felt by the people of rural America today. These cases are abundant throughout the farm belt and are brought to light daily at various meetings and gatherings in the area. It is obvious that the disastrous rural economy and depressed ag-industry is causing a great deal of human suffering.

Perhaps it is time for U.S. policymakers to take a long, hard look at the tremendous importance of agriculture as this nation's primary industry. Agriculture is indeed a very large and vital industry involving a tremendous number of people, as well as providing this nation and others with a good, safe, reliable source of food and fiber. It should also play a very large role in our balance of payments as far as foreign trade is concerned.

We have often heard from assorted speakers and farm meetings that agriculture is experiencing a period of change and transition, thus resulting in diversification into other alternate crops and products. Much is presently being done to aid in this effort, such as Successful Farming's "Adapt 100" project to guide our industry in new directions and promote our products more aggressively. Certainly research and development is essential to our industry, but it will take time for these changes to come about—and time is what many of today's farmers, including myself, are very short of.

The people in agriculture are in desperate need of some short term assistance to remain viable through this time of transition and diversification. Unfortunately, today's farming is an extremely capital-intensive business, requiring more than good minds, strong hands and hearts to produce the goods this nation and the world needs. Heavy use of capital is needed for equipment, land and other inputs to produce these agricultural products. With the decline in the last 6 years of from 50%-60% of the value of the land and the equipment, these capital needs are even harder to meet. We see the cost of these capital needs as being an area of vital importance to the industry as a whole, and strongly feel this is an area that needs to be addressed during this transition period.

The standard of living of many farm people is being lowered daily, capital outlays are being curtailed, and operating and living expenses are being cut to the bone. At the same time, the interest cost on capital and operation continues to build at extremely high rates—rates that are from 11%-15%—and this on property worth less than half the value of when the loans were made.

I strongly emphasize that the greatest immediate need for our nation's primary industry is to curtail the exorbitant cost of money to the farmers until we find new footing in diversified areas and/or new markets, and our research and development once again return profits to our industry.

We as farmers basically have two important ongoing areas of expense—family living costs and interest costs on our operation. Farmers can and do sustain their families on much less than what we call the poverty level income in this nation. We don't say it is right, but it is necessary. I would suggest to this committee that if farmer's interest costs could be brought into line with the interest costs paid by many other businesses today, we would see an end to the exodus of farmers leaving the land and ending up on food stamps or in soup lines. They are not leaving because of lower standards of living, but rather because of the financial stress. Federal funds may more wisely be spent on ag market research, diversification, farm credit relief, and the use and education of alternate crops than on inefficient, complicated and costly programs that only build more surpluses.

As the Farm Credit System is the largest single lender to American agriculture, and exclusively involved in agriculture, this is the agency we need to utilize to provide the credit relief needed by our industry. Presently there is considerable turmoil within the Farm Credit System, as borrowers in strong financial positions have and are leaving the system in droves for less costly money. Those borrowers in very poor financial condition are being liquidated, so their problems have come to an end as far as the Farm Credit System is concerned. This leaves the borrower that remains, a person with some assets—at least on paper—trapped in the system. He is required to pay top interest notes of over 13% to help make up the system's losses on those borrowers already liquidated.

Tension is very high among the people remaining in the Farm Credit System, as cases are reported daily of where a foreclosure piece of land is sold to the neighbor at ½ the loan principal and 5% interest. Had this same deal been offered to the existing owner, he probably would not have had to default. This practice may be legally correct, but it is certainly morally wrong to use people who have paid much into this system through the tough times in such a shabby manner.

I realize that the Farm Credit System is indeed in much trouble and it seems, as I stated earlier, that this is the place to address the needs of farmers for credit relief during the transition now taking place in our industry. We all realize that Farm Credit interest rates need to be lowered substantially. I would suggest creating a pool of federal funds by declaring farm credit bonds sold to investors as tax exempt and guaranteed. The Farm Credit System is already in place and operating. This process would supply it with a much lower cost of funds, thereby enabling it to lower its interest rates to its members. Money costs to the Farm Credit System could be lowered drastically by the use of federal funds, tax exempt bonds, guarantees and other innovative forms of finance. This would enable many of today's farmers to remain on their farms.

We feel that the American people, the investors, and the policymakers must certainly realize that American agriculture is indeed a necessary, viable industry, and must be aided in this time of transition to survive. Dollars spent on credit cost relief will do much to assist in that survival.

Thank you, members of the committee.

STATEMENT OF HAROLD NELSON, NEWELL, SD

When will Washington realize there is a difference between Family Farms and farms that are businesses just like the businesses on Main Street? Family Farms are going under because of Government Policies they have had no control over.

Most Family Farms are diversified, grain and livestock. What has happened to livestock? Government has encouraged large feedlots, large hog confinements, and large integrated poultry operations. This has been accomplished by cheap interest loans, depreciation incentives, capital gains, investment credit, and other Government created options.

This is quite evident by the number of ranch and farm failures. Cattle numbers have went from 132 million to almost 100 million in seven years. Sheep numbers are the lowest in 100 years. Hog numbers are down also. This must mean something, like no profit.

Chicken and turkey are increasing. It has become highly integrated by corporations. Poultry is the best converter of grain to meat. This means only one consequence. Huge profits from poultry operations will mean increased production and cheap chicken and turkey. All this will come about by our present cheap feed grain. This means more trouble for Family Farmers and Ranchers.

There has to be a solution to this problem. You have to understand their position to be able to correct their problem. A Family Farm or Ranch should be a 12 month job. Government support on grain and none on livestock has made it only profitable for 6 months.

Where and who are going to raise the calves for all these feedlots that the Government has created? The only place you can operate a profitable cow-calf operation is where you have a permit to run on federal land at $1.37 per month, per animal unit. In a sense, a federal subsidy to the large operators. Why the benefit to the large operations always?

You have to equalize the playing field for the Family Farmers and Ranchers or write them off, get rid of them and be done with it. This is America's farm dilemma.

The question is how do we do it? You have to make the Family Farmers and Ranchers competitive with the feedlots and poultry operations. You have to be assured of a reasonable priced meat product to the consumer. You cannot put a high price on meat, for that would create a surplus and you cannot store meat like grains.

You could do it by subsidizing the grain to bonafide Family Farmers and Ranchers. By this method they could raise the calves, pigs, and lambs and grow them out. This would give them profitable employment year-round. It would assure meat being priced market wise. The subsidy on grain could fluctuate with the average yearly meat price.

This would increase grain consumption, more would be consumed where raised, saving on transportation. This would make red meat competitive to poultry. It would be fair to the taxpayer; pay more for red meat and less subsidy or pay less for red meat and more subsidy.

A doctor gets a call at 2 A.M. to save a life for whatever reason. A farmer or rancher does the same at 2 A.M. to save a calf, pig, or lamb. Who gets rewarded? Both are relevant to each other. Food is our basic existence. The producers should not be neglected. Outside investors should not be subsidized by any direct federal payments. These are jobs out in rural America on these Family Farms and Ranches. Let's reward them with a fair wage for their labors.

STATEMENT OF MRS. KATHLEEN BLY

My name is Kathleen Bly. My husband is Loren Bly. We have lived on and operated our farm, located in Brandon Township, Minnehaha County of South Dakota for 40 years. Loren has lived on this farm for 58 years. Loren had a stroke in 1975, which has limited the hard labor he can do. Until 1980 farming this land was a satisfying and rewarding occupation. The low prices for land and for our products have been devastating for us. We have spent hundreds of dollars in legal fees, which we could ill afford, to try to keep the farm rather than be on welfare.

Our most recent concern is with the Commodity Credit Corporation (CCC), relating to corn we put into the reserve loan program in 1982. Due to Loren's health he cannot climb our storage facilities to check quantities of grain. We therefore had the bushels of corn measured by the ASCS office before obtaining our loan and relied completely on their figures. Using their figures we got a loan on 90% of 5550 bushels, which was 5000 bushels, in the amount of $13,800. When corn prices reached the release level in July of 1984 we sold the corn at the Farmers Co-op Elevator in Garretson, S.D. The total bushels of corn in the bin when sold was 4269. Somebody made a big mistake and it should be clear that it was not us. The ASCS office made it plain that they were not to blame for the mistake. This was an error of 25% on calculating the bushels. The ASCS satisfied the $2894 owed on this transaction by withholding that amount from our loan on this years corn crop. Farmers Home Administration had first lien on the 1986 corn so we feel that is where the money should have gone. It is hard for us to understand how the policies of the ASCS can free them of any liability for their mistakes.

Last year the ASCS office would not issue us our PIK certificates as we owed money on a storage facility. We asked that they co-sign on the certificates so we might take advantage of higher price the certificates were worth. They refused to do this. After 40 years of participating in the farm programs we do not like to have our integrity questioned as it seems like our local office is doing.

As of today February 10, 1987, we received a registered letter from Farmers Home Administration, notifying us of our delinquent payments. Had we received adequate prices for our products the situation would be entirely different.

We are placing all our hope and confidence in the "Save The Family Farm Act" which we hope will be passed by Congress. That bill has most of its input by the people who are trying to survive. That certainly is the way government policy should be—of the people, by the people, and for the people. If the bill is passed by Congress I surely hope they will override any veto coming from the White House.

Enclosed is the testimony which our daughter Sue Bly Tupper gave before an Agricultural sub-committee hearing and a letter which was sent to Senator Tom Daschle explaining our hearing with FmHA in this dilemma. We have already spent nearly $10,000 in attorney fees. It now looks like we will have a repeat performance in an attempt to preserve our farm and home.

We realize this testimony could very well bring repercussions from both the ASCS and FmHA. It is with reluctance we are submitting it but we feel it is the only way some changes might be achieved for we who are struggling to survive.

We wish to thank you for taking the time to read this. We appreciate the opportunity to tell our story.

STATEMENT OF SUZANNE BLY TUPPER

My name is Suzanne (Bly) Tupper and I am here on behalf of my parents, Loren and Kathleen Bly.

My parent's relationship with FmHA is best summed up by the callous statement made to them repeatedly by Mr. Ronald Walker, Minnehaha County FmHA Supervisor: "You'll be fine as long as you don't ask for too much bread."

FmHA has forced my parents into this position by refusing to apply their own regulations in specific transactions. They have outright lied to my parents. And, finally they have refused to either tell or show me or my parents the FmHA regulations they were using as the basis of several questionable decisions.

Mr. Walker and FmHA have refused to apply their own regulations in dealing with my parents in a number of instances. In fact, we had to solicit legal advice, at a hefty sum, to find out what FmHA regulations did apply in my parents' circumstance.

FmHA officials have ignored or concealed regulations regarding:

The amount of money lent my parents for their livestock operation, which was far below full production.

The advice to buy land.

The option to sell land on a contract for deed.

And, the application of $132,000 in proceeds from land my parents sold to the loan principal rather than the interest payment which were due, and which are now seriously delinquent.

It is clear that FmHA officials bungled a number of decisions, and then lied to cover their mistakes. They lied about loan information, land and livestock purchases, land sale information, they did not disclose the necessary information that would have given my parents access to a qualified buyer, and finally, they lied about the application of land sale proceeds. Here are a few examples.

My father asked for emergency low-interest loan money on several occasions. Time and again, Mr. Walker told him the money was not available or that my father did not qualify.

In fact, many farmers have received loans at 5% interest, yet this was never presented as an option to my parents.

From December, 1978, to Spring, 1980, Mr. Walker advised my parents to borrow money to set up an elaborate hog operation, which they did. My parents built a farrowing and finishing unit and put in a water system. FmHA then loaned them only enough money for start-up capital. This loan went toward the purchase of 21 sows and $500 of feed.

FmHA's own regulations specify that they must loan the borrower enough money to reach full production as fast as feed and pasture production will allow.

But, FmHA did not do that.

Nonetheless, my parents took all of the proceeds from livestock sales and increased their herd. Without the initial full production financing from FmHA, the livestock operation did not have time to become self sustaining or profitable, and my father was forced to sell the last of the herd in 1982.

This means that in 18 months, FmHA started this hog operation, then pulled the plug and shut it down. Since that time the buildings, for which my parents are still paying, have stood vacant and are deteriorating.

FmHA bungled the purchase and consequent sale of land in a similar manner. While my parents were establishing the hog operation, FmHA approved the purchase of land, because it would in some way "help" them. The final land purchase was made in the Spring of 1981.

Then, just four months later in the Fall of 1981, FmHA flip-flopped. Mr. Walker advised my parents to sell land based on his vacant promise that land sales would, again, "help" them.

We now have this scenario of FmHA providing just enough suppport for my parents to hang themselves. FmHA started business ventures, and then walked away leaving my parents with nothing more than the empty promise of "help" coming along someday.

My parents put the farm up for sale in the Fall of 1981. Again, FmHA handed them a series of lies. As a result of these lies, my parents have been denied access to a qualified buyer.

Mr. Walker told my parents that they could not sell the farm on a contract for deed and still retain enough cash to allow them to operate until their debt obligations were fulfilled. In fact, Mr. Walker and Mr. Kennedy, who was at that time the District Manager of FmHA, told my parents flatly: "It could not be done." My parents believed, therefore, that they were compelled to find a cash buyer. That was not only next to impossible, it wasn't even true.

Three years later, and on the brink of foreclosure, my parents have discovered that in fact they could have sold the family farm within the terms they had requested. While such a sale cannot be approved at the county level, it could have been dealt with at the state level.

Even though it has been almost impossible to find a cash buyer under these circumstances, my parents have managed to sell 160 acres of land since the Fall of 1981, for approximately $132,000 after expenses.

Then FmHA bungled the application of the land sale proceeds.

FmHA took the $132,000 in proceeds and applied it toward the principal on my parents' notes, rather than toward the interest payments. In fact they told my parents that none of the money was available for either keeping their payments current or for operating expenses.

As a result my parents were forced to borrow 14% money to pay for 8½% money, their interest continued to accrue eating up the equity in their remaining assets, and, most devastating, they became delinquent on their payments.

In fact, Mr. Walker and FmHA have refused to tell or show either me or my parents the regulations justifying decisions that they have made.

I met Mr. Walker in the Spring of 1982, when my parents were questioning FmHA's application of their land sale proceeds toward principal. After making my parents and me wait for almost an hour, we were ushered into this man's office. It was clear that he was prepared to meet only my parents. My presence caught him off guard, and it took him some time to find a seat for me. I, in attempting to protect my parents' rights, asked to see the regulations that provided the basis for a variety of decisions FmHA had made. When I made these requests, both Mr. Walker and Mr. Kennedy, who had joined the meeting, became quite flustered. They began shuffling large black notebooks around. I remember Mr. Walker, who is a very nervous man, said, "I've got reams of regulations here. It would take forever to find them, and we just don't have that kind of time."

This instance in the FmHA office is only one example of the countless occasions when my parents were not shown the rules and regulations regarding their mortgage agreements, loan determinations, and requests for assistance from the FmHA office. Mr. Walker never once sat down with them to show them where the FmHA regulations applied.

You must understand that we have been farming in South Dakota since the 1860's and my father has been on the land in question continuously, with the exception of time spent in the armed services and college, since 1927. Yet, we are now in a situation that apparently entitles us to nothing, following generations of labor and sweat equity we have put into this property.

In most recent history, my parents have walked into the FmHA office with $132,000 in land sale proceeds, and walked out with 160 less acres of land, a higher debt load then they have ever had in their lives, and they now face losing everything they have ever worked for.

In sum, they were advised to go into a business, they were undercapitalized at the discretion of FmHA, they were obliged to borrow more money, in some cases at rates higher than what was available, they were shut down, they had their cash land sale proceeds applied to loan principal, and they were left owing the interest.

Now, I ask you just who has been asking for "too much bread" in this grim history of my parents' involvement with FmHA?

WASHINGTON, DC, *June 8, 1984.*

Hon. TOM DASCHLE,
House of Representatives,
Washington, DC.

DEAR CONGRESSMAN: I want to thank you for taking the time to meet with my parents, Mr. and Mrs. Loren Bly, to discuss their problems with Farmers' Home Administration (FmHA).

The situation with FmHA concerning the acceleration of their loans is not yet resolved. As you know, I presented testimony on my parents' behalf before the House Agriculture Subcommittee on Conservation, Credit, and Rural Development. Enclosed is Mr. Ron Walker's response to my testimony.

Mr. Walker asserts that FmHA has treated my parents with fairness. It was not fair to encourage my parents to build an elaborate hog operation that included a farrowing house, new finishing unit and watering system, and then, against FmHA regulations, to deny my parents the funds to establish the hog operation at a level of full production. Instead, Mr. Walker only lent them start-up capital to purchase 21 sows, not the 30 he mentions. In addition, he did not provide further financing for my parents to bring their hog operation to full production as is required under FmHA regulations.

Because Mr. Walker did not follow FmHA regulations, my parents were forced to pour all of the proceeds from livestock sales into expansion of their herd. Consequently, the operation did not have the time to become profitable, and my father sold the last of the herd in 1982. Since that time the buildings, for which they are still paying, have stood vacant.

Hindsight now shows that 1980 and 1981 were strong years for the hog market; with proper financing my parents' circumstances might have been much different today.

Mr. Walker is inaccurate about my brother Tim Bly's role in the family farm. Tim's participation in the farm operation was separate and distinct from my parents' business. Indeed, it is ironic that in early 1981 Tim and my parents presented to Mr. Walker a joint operation plan, proposing that my parents would farrow and

Tim would finish feeder pigs. Mr. Walker would not hear of it. Again, this was a time when the market was strong, and their proposal was quite viable.

Tim began farming with FmHA financing in 1978. From the beginning Tim's financing was mismanaged by FmHA. For example, in 1979 Tim purchased a tractor with a seven-year repayment plan. In 1980, however, he was required to pay off the tractor out of his operating loan. This began a cash flow problem that came to a head in 1981 when Mr. Walker told Tim FmHA did not have money available for borrowers. By the end of 1981, unable to obtain private backing, Tim was hopelessly in debt and forced to file bankruptcy.

Mr. Walker is alleging that Tim chose to leave farming. His "choice" to go out of business was as much a choice as any farmer had in "voluntarily liquidation" prior to the *Coleman* order. The failure in Tim's operation had nothing to do with disease in hogs, as vet records would prove. And if there is any blame for mismanagement, it rests with FmHA. The truth is that Mr. Walker pulled the plug, and Tim's operation went under a year later.

Mr. Walker's claim about my father's health is nothing more than a smoke screen and the kind of ad hoc justification that may look good in a report to a superior. My father had open heart surgery in 1977, less than one year before Mr. Walker lent my parents the funds to construct the hog operation. Tim began farming out of choice, not, as stated by Mr. Walker, because my father's condition required his involvement. Even after Tim was forced out of business, Mr. Walker apparently did not consider health an issue when he lent my parents $44,000 at 14¼% interest in 1982. Another brother, Scott Bly, tried to obtain FmHA financing to put in the 1982 crop on shares with my parents. Mr. Walker flatly refused, indicating he would only issue a loan to my parents as the sole borrower. The fact remains that my father's health is better today than it was in 1978, when FmHA issued the largest loan ever granted my parents.

Mr. Walker's advice concerning land purchases and subsequent land sales has been a major influence on my parents' current predicament. FmHA lent my parents the money to purchase land in the Spring of 1981, and then recommended in the Fall of 1981 that they sell land. In 1982 and 1983 my parents managed to sell a total of 180 acres, and realized over $132,000 from the sales. Mr. Walker and Mr. Gunderson, State FmHA director, maintained that the land sale proceeds must be applied to the loans secured by the land. However, FmHA did not do this. If you will examine attachment #2, you will see that the loans secured by the land remain outstanding. This is just one of the many examples of Mr. Walker not following FmHA regulations.

Since FmHA has not followed their own regulations regarding the application of land sale proceeds, I think it is only fair to require Mr. Walker to reapply the proceeds in a more equitable and rational manner.

Mr. Walker has made several claims regarding my parents' position in the sale of their remaining assets. Enclosed is the only written offer my parents have received (attachment #3). This was not a binding or valid offer since it was subject to FmHA financing. My parents were not pleased with the offer, since it would have left them with $20,000 after taxes and expenses, not the $50,000 Mr. Walker claims. They understood, however, that the buyers were willing to negotiate on the basis of price or the family home. There was no demand for $100,000 more and the house as Mr. Walker claims.

It was unfortunate, but no one was able to negotiate because Mr. Walker did not follow through on a financing plan. The buyers made several efforts to work out financing with Mr. Walker but finally gave up in exasperation. The ball was in Mr. Walker's hands and he dropped it.

Neither my parents' attorney nor their real estate agent advised my parents to accept this offer. It was a promising offer that could have been negotiated, but the buyer was unable to get satisfaction from Mr. Walker.

I cannot believe that Mr. Walker would think that I could be so callous as to turn my back on my family. To him, my parents' farm may represent just another client's financing problems; but this farm is my home. I was raised on this land which has been in our family for years. I've worked on the farm periodically and have always taken to heart the concerns of the operation. My only regret at this point is that I did not pay closer attention to my parents' dealing with Mr. Walker. Perhaps if I had been more aware of the violations of their rights, my parents would not be in this situation today.

My parents, with the assistance of their attorney, are submitting a two-year operating plan for 1984 and 1985, along with a proposed reapplication of the land sale proceeds. They will send the proposed plan to you as soon as possible.

Any assistance you could offer in saving our family farm would be greatly appreciated.

Sincerely,

SUZANNE BLY TUPPER.

FEBRUARY 11, 1987.

Senator TOM DASCHLE.

DEAR MR. DASCHLE: I am a sales territory manager for John Deere Company. I have 13 dealers I call on in eastern South Dakota. We also do some selling in Minnesota. I would like to share with you some of my concerns about the upcoming mediation bill for helping farmers with their debts. As you know Minnesota has a mediation law. Since this has been past our company has been forced to change its credit policy with Minnesota farmers. We now require a 50% downpayment on retail contracts, and no longer furnish them with physical damage or life insurance. They pay the same interest rates as we currently have in South Dakota. In South Dakota we still can offer farmers a contract for 30% down, and offer them physical damage insurance and life insurance. The mediation law has adversely affected all the farmers and their ability to obtain credit. I surely would not like to see this happen to our farmers.

Our credit policy offers retail contracts with variable rate financing, and we are extremely competitive. Also whenever we have had a farmer go past due with us on a contract, we contact them and try to work out an acceptable settlement. We many times get the farmer to make a partial settlement with us and we then extend the payment until he is in a position to pay us. As you can see, we are in this to help our customers too, Please consider this side of the mediation bill when it comes up for discussion.

Thank you for your concern.

Sincerely,

JAY CASPER.

ETHAN, SD, *February 10, 1987.*

Senator Daschle, Senator Leahy, Senator Conrad, Members Senate Ag. Committee, thank you for coming to South Dakota to show your interest in the plight of Rural America. Having been forgotten by the Reagan Administration this past 6 years is almost more than we can stand. Democrats "THE PARTY OF THE PEOPLE", now with control of both Houses will enable us to get the message to the President and his administration.

Senator Daschle knows personally of much of my problems with the U.S. Dept. of Ag., for that reason I am not asking for personal assistance at this time. I wish to point out some matters in the Farmers Home Administration which I feel are of great benefit to Rural America at this time, but yet this Administration *does not* and *will not* make the provisions available to individuals in need of them.

FmHA Instruction 456.1, titled, "Debt Settlement," which I have been able to trace back to October of 1969, enables hard pressed individuals and others, a means of reducing their debt. Special emphasis could be put on this to make it available, (and not writing policies where no one qualifies).

FmHA Instruction 1956B also allows for "Debt Settlement," again this Administration has written the guidelines to where no one qualifies.

FmHA County Committee members are given a hand book of their responsibilities when in office, I have personally talked to some of these members and they are not aware of, and claim there is no existence of some of these programs. I feel the way County Committee members of the FmHA have been elected this past year is in just the opposite of what the regulations state. Example regulations state 2 of 3, or 3 of 5, County Committee members of FmHA boards will be elected from "their kind", to me this means that amount of board members will be elected from borrowers of FmHA, although FmHA put in their policy that NO borrowers could be a member of the County Committee. Now just stop and think, the ASCS, a branch of the Dept. of Ag., also has County Committee members on a board, prime requirement you must be an owner or operator of a farm served by the board on which you serve. Question, Why is the FmHA just the opposite of ASCS?

FmHA does very little, or does nothing in notifying borrowers of programs that are available, a weekly or semi-monthly news letter could come out of the State Office to "all" borrowers of what is available.

The Appeals process of Adverse Actions in FmHA is a very biased process. I have personally been involved in the appeals process many times. I have worked with many, many neighbors and friends in the Appeals Process, we have taken the Adverse reason given by FmHA, proved FmHA wrong, then FmHA would find another "EXCUSE" for not granting the services requested. Here I feel that it would be very important that a Meditation Board of some sort be set up, with special emphasis be placed that farmers, ranchers and other FmHA borrowers be a part of the Mediation Board, not a hand selected group by the State Director or his staff.

Back again to the County Committee of FmHA, it is very obvious in our area that the County Committee is hand picked by the State Director and District Director, none of these are true life farmers, their prosperity can be traced to SBA loans and other "funds."

A bail out of the Farm Credit System this spring or any time in the future I feel is a step in the wrong direction, to much of the bail out money would go to the administration of the Farm Credit system and not to the Family oriented type of farming operation.

I have in my possession tape records of County, District and State office employees who have done NOTHING less than harrassed my wife and I when in the office seeking assistance. I have a taped conversation with an employee of FmHA, admiting to me he could not tell the difference between a BULL and a COW, YES you just read the truth. This recording was made at our farm with the employee knowing the tape was being made, this individual was a former banker, former county agent, former feed salesman, ran for an elected office, got beat by a Democrat and three days later went to work for FmHA. You tell me, the jobs he had, if he was any good why at approximately 65 years of age would he go to work for FmHA. Yes that is the type of people in these offices, either rejects from other jobs, or young fresh college graduates that visited grandpas farm one Sunday afternoon and now they have experience on how to tell you to operate.

In September 1986 I had the experience to meet and visit with President Reagan. Yes it was an honor, but the good it done was less than nothing. My complaints to the President were directed to Sec. of Ag. Lyng by the Presidents staff, Mr. Lyng telephoned me the next day, Yep, now I know why the Dept. of Ag. is in such a mess. Mr. Lyng indicated to me on that day there was less than 100, yes less than 100, farm foreclosures in the U.S. Heck there is that many in our county.

There are many Servicing Options available to FmHA borrowers as outlined in Part 7, Code of Federal Regulations, but, FmHA has written their policy and procedures to where no one qualifies. This definitely needs attention.

The Dairy Herd Buy Out, we bid on the program, were not afforded our appeal rights, but yet we are still milking and paying to support the ones who were selected for the program.

I must Congratulate the Reagan Administration on one thing, Chapter 12 of the Bankruptcy Code, what I have read and understand it is not very useful to the majority of farmers, but it will accomplish what appears to be the Reagan Administrations goal, WIPE OUT RURAL AMERICA, just stop and think isn't Chapter 12 a wonderful tool to offer, what is the long range effects of a Chapter 12? My thoughts, this Administration offered it as a solution to the farm trouble, now if several farmers and ranchers file, their unsecured creditors are struck, then you got business failures, then the Administration can blame that on the farmer and rancher because they filed Bankruptcy and hurt the business, leaving the blame off the Administration.

Senators, the midwest elected Democrats this year, that sent the message, you are going to be watched closely, America wanted and needed the change. Lets put facts public what some of these County, District, State and National appointees are doing, we need them removed from positions, some of them may even need to be tried in Courts for their wrong doings, but lets make a change from top to bottom.

Veterans preference is another matter that needs attention in the FmHA loan making process.

I could write a book on problems with the Dept. of Ag., but knowing Senators Daschle and Conrad are just beginning 6 year terms I do not want to take the 6 years to tell all of them.

A brief response as to the problems my wife and I have had with FmHA. Upon discharge from the U.S. Army in 1965 we began farming, obtained our first FmHA loan sometime in 1966, this was paid in full in 1969. In 1970 we began with some of our present loans. Payments had been kept on a relatively current basis until 1983. In 1981 problems arouse in our hog operation, FmHA advised us to reenter the dairy program to better our cash flow, this we done, new and improved facilities had to be undertaken, FmHA promised funding, then when project was about ¾ done

FmHA began to back out on their promises. Today yet the barn has no doors, no cement floor and numerous other items remain unfinished. In 1984 we were in a Disaster area due to flooding and heavy rains, our losses were tremendous, Farm and Home Plans were worked up with a positive cash flow, FmHA revised the plans by very unorthodox methods, made the Farm and Home Plans unworkable, now criticize our family because we cannot make our payments.

Farm and Home Plans worked by my wife and I in 1984, 1985 and 1986 provided a positive cash flow, showed repayment of debt and a fair standard of living. FmHA denied these plans, developed their own which did not cash flow, shut off funding, and servicing options, now threaten us with foreclosure. We have been a family that has kept our word, we definitely want to keep on the farm, it has been in the family for about 75 years and I am not going to be the one to lose it because of what FmHA is doing to Rural America.

As I pointed out earlier, I met with President Reagan in September, although it was a political move to gain votes for Sen. Daschle's opponent, I welcomed the opportunity to meet with the President. I relayed to Mr. Reagan the problems faced by our family and other FmHA borrowers, Yes he listened but as we all know he is just an actor. Mr. Lyng did call me the next day said he would personally look into our FmHA case. At this time I was in the appeals process at the National Level with FmHA, Mr. Lyng agreed with the National Office and I was denied all requests I made of FmHA. I wrote back to Mr. Lyng and told him had he personally looked into our case as he claimed he done, and as an unbiased individual, he could see that FmHA was not properly handling our situation.

Along with the 1984 flooding, FmHA in the early 1970's helped the City of Ethan, S.D. construct a sewage lagoon, in 1984 and other years this lagoon got to the point of overflowing, in 1984 the city pumped raw sewage from the lagoon and it ran into our farm, causing much damage and killing livestock, FmHA has devalued our assets because of this, although we owned our farm before the lagoon was placed. My attorney is working on a lawsuit.

Again I could go on for an indefinite period of time relating problems with the Dept. of Ag. I indicated to President Reagan that I could take the place of the State Director of FmHA in South Dakota and get the farmers and ranchers to where they enjoyed working with FmHA, not that this would be the answer to the low prices producers are receiving, but servicing options could be granted that would keep farmers and ranchers on the land producing food and fiber until time has come that prices are at a better price. All this would be very simple to be done, as the laws are already on the books, and it could be done as no cost to the taxpayer, in fact it would be a saving to the taxpayer as these farmers and ranchers would then be able to pay their debts back at a later time instead of filing bankruptcy or to face foreclosure now.

Thank you.

RICHARD and BONNIE MCBRAYER.

FEBRUARY 11, 1987.

Members of Senate Agriculture Committee:

I am a wife, mother and homemaker. My husband and I reside on a 240-acre family farm which we purchased on contract for Deed in 1965. We have raised 9 children solely from the income of this farm.

In the years 1976–1977 we suffered a severe drought which forced us to borrow money for operating in order to stay in business. We borrowed from Farmers Home Administration. They made us an emergency loan of $27,000 we proceeded to farm, raise livestock and milk cows, in good faith hoping to repay our debt and continue. Since that time, Farmers Home Administration has done everything possible to get us off our farm.

They accelerated our account in 1980. We sold 160 acres for $56,000.00 and to this day we never received a bill of sale or where the money was applied.

We continued to maintain security and operate to the best of our ability, with no borrowing.

No. 1 problem no loan servicing from Farmers Home. Always trying to get us to sell out or voluntarily convey and liquidate.

As of Mar. 1986 we were recipient of letter of Adverse Action. We went through appeals of every option offered us but to no avail. FmHA stating, our operation did not cash flow.

It does because we are surviving. Cannot borrow to operate so we buy 50 gallons of gas at a time have little money. But we were more fortunate as we only owe Farmers Home.

In 1982 Farmers Home led us to believe we were still borrowers in good standing. So they got Clayton to sign a new Security Agreement they then proceeded to voucher the balance of our contract for Deed for $5,000.00 of which we were current on interest and principle. This is how they got a hold of first mortgage. At this point in time we are in receipt of an acceleration again, as of Nov. 18, 1986. We have heard nothing more to this date on acceleration. We are victims of a starve out on our own land.

I wrote a personal letter to President Reagan when he was in South Dakota campaigning for Senator Abnor. A copy of which is enclosed.

It states our farm is already on Farmers Home inventory, although they have not completed their due process.

As a victim of this type of starve out proceeding in order to confiscate the land, I would charge this committee to do something to initiate the Farmers Home Administration to do what 7 CFR says in order to keep the family farm system. By servicing the borrowers loans instead of always trying to make new rules to eliminate us. We, I need my family farm.

Everything I have stated to you is true and I have copy of FmHA files to prove all I have stated.

It was quite in order until Reagan Administration, since then we never have done anything right, and they have done everything to get rid of us.

I am the Secretary of a grass roots organization that knows many farmers in South Dakota in this very predicament.

Thank you for coming to South Dakota and listening to the grass roots people. This is a very serious matter.

Please help to stop this horrible Exodus.

Remember the lender can take it all from us, but he can't farm the land.

Thank you.

Mrs. SHIRLEY BORAH,
Oldham, SD.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, DC, November 25, 1986.

Response to my letter from President Reagan.

Mrs. SHIRLEY BORAH,
Oldham, SD.

DEAR MRS. BORAH: On behalf of President Reagan, the U.S. Department of Agriculture is replying to your letter requesting help in keeping your farm and caring for your family.

We understand your distress at the prospect of losing your farm. We would like to be able to tell you of new solutions or of other alternatives in addition to those you have previously pursued with your Farmers Home Administration (FmHA) County Supervisor and other FmHA officials. Our South Dakota FmHA State officials have informed us FmHA has provided assistance to you through emergency, operating, and rural housing loans, but that for many years your farming operation has not provided you with the income to repay these loans as scheduled.

We know that these have been hard times for farmers. The FmHA is making every effort to help farmers continue in farming by providing loans and through the use of its loan servicing actions. FmHA who can no longer benefit from FmHA loanmaking and servicing may be eligible for dwelling retention or the leaseback or buyback programs authorized by the Food Security Act of 1985. These programs allow a former owner, under certain circumstances, who was an FmHA borrower and whose land comes into FmHA inventory the first opportunity to repurchase or lease his or her former residence or the entire farm. You might like to discuss the details of these programs with your County Supervisor.

We hope as you work with your County Supervisor you will be able to find a solution to your financial difficulties.

Sincerely,

KATHLEEN W. LAWRENCE,
Acting Under Secretary for Small Community and Rural Development.

FEBRUARY 11, 1987.

U.S. Senate Agriculture Committee:

Gentlemen, the American Farmer has been subsidizing the economy of our country for the last 40 years with low food prices; these subsidies far surpass any paid by the government to the farmers.

In today's economy there are very few peddlers, who go from place to place and ask if you want to buy their wares. Very few workers say, "Do you have something for me to do today?" Yet, the American Farmer is expected to ask, "What will you give me for my product today?" While businesses establish a base price for their products, and working people have a steady job with an established wage, farmers are still peddlers.

Contracts between sellers and buyers would ensure a fairer price for the producers, and a reliable supply for all. An organization is already set up to do the organizing that is needed; the National Farmers Organization has been trying to bring agriculture into the twentieth century for many years. (Some people consider it radical because they want to catch up with the rest of the economy.)

The role in government in this would be to encourage farmer participation in collective bargaining, and remove obstacles from its path.

These measures, along with cooperating with other nations of the world, instead of waging cut-throat price wars, would help the farmers the most. We don't want to rely on farming the government. We want to contribute to the world's stability.

DEVONA ENGEBRETSON, *Sherman, SD.*

In the meantime, we do need a government farm program that will guarantee the survivial of the family farm system and small businesses and all of rural America. How we could possibly end up with such a botched up farm program (American Genocide Act), I'll never know. It requires doing away with target prices, deficiency payments, PIK Certs, etc.—total garbage! All it takes is a loan rate that guarantees cost of production plus a reasonable profit!

ROBERT ENGEBRETSON, *Sherman, SD.*

STATEMENT OF RALPH AND CONNIE TIMMERMAN, GANN VALLEY, SD

These are some of the problems we have encountered in dealing with the FmHA.

Poor financial advice (when they control the money you follow their advice or you don't have money to operate).

1. To buy more sows than we had facilities to handle, then when we needed more bedding, etc., they wouldn't release the money—then when death loss and problems occurred they said it was our fault.
2. Since 1975 they have told the businesses we were dealing with we were a poor credit risk—while telling us things were fine, just keep working.
3. Advised and showed us how to fill out farm plans so the operation worked on paper. Whether or not it was a good plan or one that would work in actual use or not.
4. Advised expansion at times when we should have been helped to economize.
5. Advised us to let creditors take out judgments saying then they would pay them off—instead they complain and call it poor management.

Poor practices involving our personal safety and well-being.

1. We requested a new pump for our farmhand—this request was denied. This unsafe piece of machinery resulted in an accident which severely damaged Ralph's right arm—which was amputed. Shortly after the accident they suggested we buy the necessary pump. In our running record on the day the pump was requested they tore off the portion of the page it was written on.
2. When they looked at our FmHA book at the personal expense they said you can't live on that little of amount of money, but never told us we were entitled to more living expenses or suggested they would help in anyway.

Not following their (FmHA) own rules—

1. Sent us foreclosure papers and never even offer or discussed any loan servicing. Now that the economy has changed so drastically they said we aren't eligible. But if they would have helped us after Ralph's accident we would have been.

Mismanagement of our funds—

1. Left over $3,000.00 in a bank draft in the bank (when we desperately needed it to pay our contract for deed holder—this resulted in her foreclosing and FmHA had to pay her off). This money wasn't found until we found the irregularity in their figures.

Hard to do business with.

1. They change county supervisors so often—you just deal with one and he is transferred. Then in any further dealings with FmHA he says—"that happened before I came here." We feel if a decision or information comes from the FmHA it should be the same no matter if the person doing the job changes or not.

2. The FmHA tells you one thing & tells your people you do business with another—or write something else in the case files.

Discrimination against us—

1. Others in our area have been allowed to rent out their land and are not required to live on their land, however when Ralph had his accident we were only allowed to rent out our pasture 1 year—when we could have used this time to regroup and the hardship it caused us because Ralph had difficulties with many tasks is unmeasurable.

2. The County Supervisor made derogatory remarks about Ralph and him having just one arm.

This is just a brief summary of some of the problems we have had with FmHA.

STATEMENT OF PAUL HARWOOD, UNDERWOOD, SD

WHY IMPORT REGULATIONS

The American Farmer and Rancher is in the worst financial condition that he has ever been in. On the average, there are one thousand farmers and ranchers a month going out of business. There were as high as four-hundred suicides in one state last year.

The United States Government came up with $11.8 billion to bail out First Continental of Illinois. Is this fair? What would happen if that same amount of money was used to bail out the American farmer and rancher. One of five jobs are connected to Agriculture.

One of the wrongs that should be changed is on the imports. Every live animal imported means one less live animal and feed used, and money received by a United States citizen.

On the average, a Canadian receives $100.00 a head for slaughter livestock, and then it has a good chance of being exported into the United States. Mexican cattle have no withholding time for chemicals before exported for slaughter to the U.S., whereas our laws have withholding time.

A recent poll taken showed 70% of the public would buy U.S. meat if it were labeled by its origin, the import regulation attached, shows the changes needed.

One point I would like to dwell on, is on the base on dollar instead of pounds. If this could be changed it would help stabilize the price received for the fat steer and then could be passed on to the cow/calf operator and would spell a better chance for profit. This profit would show up in the small towns and businesses.

NOTE.—Senator Pressler has a copy of import regulations and supports it. Representative Tim Johnson also has a copy. Representative Gephardt has a copy and will introduce it into the House.

IMPORT REGULATIONS

Whereas, the unfair importing of meat into the United States by other countries.

Whereas, the import quota is only based on fresh, chilled and frozen hanging weight only.

Be it resolved, the import quota on beef include live, canned and manufactured.

Whereas, the present law on imports quota trigger level is based on pounds slaughtered at any set time in the United States.

Whereas, this does not really give a basis for dollar value of the meat.

Be it resolved, that the trigger level is based on USDA fat steer cost of production or profit basis.

U.S. AGRICULTURAL IMPORTS FROM ALL SOURCES
OCTOBER 1984 - MAY 1986

COMMODITIES	UNIT	CUMULATIVE TO DATE						CURRENT MONTH (MAY)					
		QUANTITY		%	VALUE		%	QUANTITY		%	VALUE		%
		10/84-05/85	10/85-05/86	DIF	10/84-05/85	10/85-05/86	DIF	1985	1986	DIF	1985	1986	DIF
DAIRY PRODUCTS													
CHEESE, QUOTA	MT	69.757	72.927	+5	189.277	198.519	+5	6.891	7.372	+7	19.423	20.506	+6
CHEESE, NON-QUOTA	MT	18.916	16.946	-10	53.025	58.471	+10	2.469	1.638	-34	6.836	6.022	-12
CASEIN	MT	67.743	66.652	-2	134.741	128.039	-5	7.637	8.766	+15	13.961	17.432	+25
OTHER	XXX				15.396	16.227	+5				1.038	2.021	+96
TOTAL	XXX				392.439	401.256	+2				41.258	45.980	+11
LIVESTOCK & PRODS.													
WOOL	MT	24.741	28.507	+15	93.457	104.419	+12	3.207	3.651	+14	11.726	13.123	+12
MEAT	MT	710.350	713.530	---	1436.907	1418.872	-1	97.091	81.698	-16	189.994	159.792	-16
BEEF AND VEAL	MT	412.077	420.679	+2	819.285	778.180	-5	60.467	48.408	-20	120.317	88.269	-27
PORK	MT	275.832	264.522	-4	569.015	573.660	+1	33.534	30.273	-10	63.655	65.490	+3
OTHER (EDIBLE)	MT	22.441	28.329	+26	48.607	67.032	+38	3.090	3.017	-2	6.022	6.033	---
LIVE CATTLE	NO	427.517	965.778	+126	186.930	301.440	+61	52.157	126.750	+143	21.540	24.944	+16
OTHER LIVESTOCK	NO	1159.274	413.472	-64	239.772	155.080	-35	126.541	34.486	-73	22.904	9.424	-59
HIDES & SKINS	XXX				47.467	43.905	-8				6.796	5.677	-16
FURSKINS	XXX				133.727	97.773	-27				7.010	8.115	+16
OTHER	XXX				102.569	109.168	+6				15.745	13.922	-12
TOTAL	XXX				2.240.830	2.230.657	---				275.716	234.996	-15
HORTICULTURAL PROD.													
FRUIT	MT												
FRESH	MT	2627.323	2778.347	+6	796.728	842.226	+6	415.480	425.509	+2	127.685	124.151	-3
PREP. & PRES.	MT	329.184	362.242	+10	279.167	299.636	+7	55.908	53.570	-4	43.515	42.999	-1
JUICES	LIT	2437.693	2113.264	-13	709.062	498.019	-30	222.192	325.691	+47	60.913	64.165	+5
VEGETABLES, FR/FZ	MT	1254.131	1225.790	-2	555.651	690.197	+24	143.139	313.359	+119	62.694	229.084	+265
VEG., PREP., PRES.	MT	336.784	372.518	+11	291.370	299.739	+3	47.940	55.041	+15	45.033	39.979	-11
TREE NUTS	XXX				208.104	244.069	+17				28.506	19.524	-32
WINE	LIT	354.000	319.544	-10	627.879	727.453	+16	41.620	34.182	-18	80.613	101.879	+26
OTHER ALCOHOLIC BEV.	LIT	614.452	648.402	+6	393.788	465.988	+18	98.943	96.794	-2	63.463	72.136	+14
NURSERY PRODUCTS	XXX				219.986	207.101	-6				28.749	29.146	+1
OTHER	XXX				231.710	302.165	+30				26.942	36.377	+35
TOTAL	XXX				4.313.444	4.576.793	+6				568.114	759.441	+34

GARRETSON, SD, *February 11, 1987.*

Senator PATRICK LEAHY,
Chairman of Senate Agriculture Committee.

DEAR SIR: American agriculture is in a period of profound and deeply afflicted transition. Effects of this transition will be felt for generations in the rural communities and in the cities as well. We know that the farm policy is set by the administration in power.

We must all see the correlation between our poor farm economy and the unemployment problem. We must see our farm surplus as a challenge to alleviate world hunger. Something has to be done to stop the increase in forced farm sales, bankruptcies, unemployment and underemployment. We must listen to our modern-day prophets who predict that unless there are immediate and drastic changes in our farm policy, South Dakota will have an economy like Central America.

Under the present farm program, the problem of corporate agriculture must be addressed as it relates to C.C.C. payments. We feel this is not in the best interest of rural people. No corporation or individual who claims to be a family farmer is entitled to more than a $50,000 payment from C.C.C.

Thank you for your consideration in this issue.

RAYBURN and GERALDINE BUTRUM.

ST. LAWRENCE, SD, *February 11, 1987.*

Mr. Chairman and Members of the Senate Agriculture Committee, as a concerned American citizen, farmwife, mother, and college student, I feel it is the duty of the government of our country to take a strong look at the hardship that has been created for our American farmer and rancher. For those that may not know what this hardship includes, that means the depressed farm prices that we are having to live with and try to survive under. For those that say it is poor management, I say to them to get their heads out of the sandhole.

We know that this farm bill has got to be the worst ever dreamed up. How many green bucks were passed underneath the table to float this piece of legislation through our American Congress? This policy of "Big Bucks" buying whatever it wants, and not caring who it will eventually hurt, must be stopped, or we will all drown in the gigantic river of debt and decay together.

I will not elaborate on what must be changed to create a strong farm economy, because I honestly feel in my heart that you politicians understand the procedure needed for correcting these farm problems. You also know that if you do not do something eventually, the collapse will come. Even the New York Stock Exchange will not be able to stop it either.

God gave us men to care for our country to the best of their ability. Some of them are not doing this. I have the comfort knowing that judgment is coming, and they will answer to their selfish desires and needs they had towards our beautiful country of America and the American citizen who loves it here.

Thank you for your time. It was greatly appreciated.

Sincerely yours,

LANA LEA MOELLER.

WESSINGTON, SD, *February 11, 1987.*

Mr. Chairman and Members of the Senate Agriculture Committee, my name is Melvin Beck from Wessington, SD. My wife and I own and operate a diversified farm. We produce wheat, corn, oats and have a cow-calf program.

Thank you, Senator Daschle, for making this hearing possible. As a producer, it is a privilege to express my concerns and have an input into our future.

South Dakota is very dependent on agriculture—its largest industry. The lack of profitability in agriculture has been devastating to the producer, forcing many into bankruptcy. The ripple of low farm prices are felt across rural America through our businesses, lending institutions, schools, churches, and local governments. These segments are suffering from the farmer's inability to support their families, pay their bills, and taxes. This depopulation of rural towns is creating businesses to close, which creates an inconvenience for producers so they must travel hundreds of miles to implement dealers for repairs and services. This makes it more costly for the farmers which ripples into loss of time waiting for repairs to come from the factories and affects our crops creating losses due to the weather elements from inefficient services.

I, as a consumer and producer, dislike these short crash programs with certificates and subsidies. They are expensive to the taxpayer, complicated, and not as beneficial to the family farmer as they are to the large corporation and grain companies. I prefer a fair price at the marketplace.

Farm prices are primarily made in Washington, D.C. by action of Congress and the President through his Secretary of Agriculture. Have they failed to address the problems of the family farmers and ranchers so we could enjoy prosperity with the rest of America?

All major commodities are priced by the Commodity Credit Corporation (CCC) loan level set by the 1985 Food Security Act. My recommendation to save the family farms and ranchers, plus our beautiful country of America, is that the farm prices on all base commodities must be increased immediately by raising the CCC loan rate to at least the cost of production, with a fair return on our investment and labor. This must be indexed to the true parity formula to insure the rise and fall in relation to cost. This would be based on the successful Steagall Amendment of 1942, which has a loan rate of 90% parity. Parity means equality or balance between what we sell compared to what we buy.

We cannot borrow ourselves rich. The "Heartbeat of America" is the new wealth that is produced from the land. Each dollar from these raw materials turns over five to seven times in our economy. This generates new income so the producers can buy goods and services, stimulating employment on Main Street and national prosperity for all.

A producer-approved mandatory supply management program, assisted by the USDA, must be developed to establish the domestic, export, and the reserve need. This plan should also insure us that there would not be a buildup of commodities in the future. Acreage controls were unsuccessful. I suggest we use pounds, bushels, units, etc., as a quota concept.

The producer of each commodity should have a say in his future with the privilege of a vote in a referendum, and let the majority rule.

Low farm prices set by federal farm legislation has forced producers to attempt to maximize yields in order to maintain adequate cash flow to pay his bills. This has intensified overproduction, over grazing, use of highly erodible lands, overuse of fertilizers and chemicals, which has backfired into increased pollution of our water and land. This poses a threat to society and our environment. There should be increased research and education in the USDA and Land Grant Colleges in ecological farming and nonchemical practice. This would give farmers alternative procedures in farming methods.

The US must negotiate to achieve "fair trade" among nations, not the so-called "free trade." Imports compete directly with US agriculture and food products. Imports of agriculture food products should not be allowed into the US at less than 110% of parity. Foreign foods imported must be required to meet the same standards set for US producers, and be labeled as to the country of origin for the consumer's knowledge.

All major crops, livestock, and dairy should be supported equally in profitability so there would be no commodity switching among producers, forcing overproduction in certain areas and depressed prices for farmers and ranchers.

In the past, Congress has passed legislation, instead of insuring farmers and ranchers a fair price at the marketplace, it has often enacted tax loopholes benefiting nonfarm investors, multi-national corporation industries, and even our own government off the backs of the American producer of agriculture. The current effort to change the federal laws should include elimination of nonfarm write-off provisions, all tax incentives for nonfarm, and foreign investors who compete against the full-time farmers who earn their living from the land. We also should have tax reform that permits family farms to be passed on to their children that desire to farm.

To make America strong, agriculture parity is a must. It generates an earned income to help balance the federal budget. This debt of America's could be reduced more with a combination of savings through reduction in the Pentagon budget, closing tax loopholes, fiscal resonsibility in government, and elimination of farm deficiency payments and subsidies once parity prices are received in the marketplace.

I recognize the fact that government is not going to get out of agriculture, because America's agriculture is the greatest private enterprise tool that our government uses to conduct foreign policy and national defense. Also, our government has the responsibility to protect the producer from the repercussions of its actions.

I understand that the Secretary of Agriculture has power, by law, to raise the CCC non-recourse loan levels to 90% of parity. It can also conduct producer referendums on mandatory supply management of all base commodities. Congress, you must now act responsible, and persuade President Reagan and his Secretary of Agriculture to act for the best interest of all of America.

Thank you for your time.

Sincerely yours,

Melvin Beck.

Wagner's, Inc.,
Roslyn, SD, February 11, 1987.

Senator Tom Daschle and Members of the Senate Ag Committee: This letter is in reference to the Secretary of Agriculture's requirement to define the word "person" for payment limitation purposes, and to insure that the limitation is applied fairly and reasonably. This requirement was given to the Secretary, by Congress, through the Food Security Act of 1985.

In the case of closed family farm corporations, we do not believe this is being done fairly and reasonably. The USDA has given these corporations a one "person" designation, as provided in ASCS Handbook, 5–CM, Common Payment Limitation Provisions.

Closed family farm corporations consist of closely related stockholders, usually parents and children, but it may be brothers, or brothers and sisters, etc. Most of these stockholders are actively involved in providing the day to day management and labor of the corporation, and rely on a salary from this corporation as their only income. If it were not for the corporate organization, the active members would most likely have separate and distinct farming interests, and each would be designated one "person" and allotted one payment limitation. As a family farm corporation, they are considered totally as one "person". This is extremely unfair and unreasonable.

We feel that each of the actively involved stockholders of the family farm corporation, those that manage and provide the labor for, and earn a large percentage of their income from that farm, should be designated a separate "person" when considering the payment limitation. The "corporation" itself would need no payment limitation, just the individuals. This could easily be done at the county level, where the county committee would be familiar with each case.

We believe that the intent of the law under the Food Security Act of 1985 was that each bona fide farmer was to receive up to one, but no more than, one payment limitation. This, however, is not being accomplished, due to the very restrictive interpretation of the law by the administration of the Department of Agriculture.

We urge your support in resolving this important matter.

Sincerely,

Theron J. Wagner.

GEORGIA HEARING—MARCH 30, 1987

STATEMENT OF HARRIET MACKLIN, LEGISLATIVE CHAIR FOR GEORGIA HOUSING COALITION, INC., ATLANTA, GA

INTRODUCTION

Senator Leahy, Senator Fowler, and other committee members, my name is Harriet Macklin. I am the Legislative Chair of the Georgia Housing Coalition (GHC) and bring you greetings from the Board of Directors. We are appreciative of your invitation to testify. In addition, we would like to commend your initiation of scheduling the hearing in Georgia.

RURAL HOUSING CONDITIONS IN GEORGIA

This year, GHC has attempted to encourage the state's General Assembly to study the housing conditions in Georgia and therefore have recommended that a Housing Commission be established in order to coordinate housing data and to plan more effectively for Georgia's future housing growth.

As you know, Senator Fowler, and Senator Leahy you may know, that Georgia is the largest state (geographically) east of the Mississippi River; in addition, we have the most counties (159). Of these, there are 125 counties not in a standard Metropolitan Statistical Area. Georgia, also has the distinction of having the fastest growing county in the nation, Gwinnett, which use to be (several years ago) a sleepy rural county.

According to the census of 1980, Georgia has eight counties with at least a third of the households below poverty level. They are Clay, Dooly, Hancock, Jenkins, Quitman, Randolph, Screven and Stewart. The South contains more than half the nation's poverty and substandard housing, and more than two-thirds the population are affected with both conditions. Unfortunately, Georgia has its share of both. Just to give some data on the poverty side of the issue, the following is where the census states that Georgia is ranked.

8 in rural population
5 in rural poverty
4 in working poor
8 in AFDC payment received for a family of four ($216)
2 in femaleheaded families
4 in families of public assistance
6 in poor elderly persons

Now on the other side, the data by census indicates that in 1980 there were 2,013,839 year round housing units, of which 1,871,652 were occupied in the state. The percentage of occupied units located in rural Georgia is 36% (670,018). Of that, 41,441 are considered substandard occupied units (lacking plumbing) and nearly 93% of these units are owner occupied. Unfortunately, 25,159 units of substandard housing is occupied by elderly households, again according to the census.

My professional experience, in Georgia, extends over 15 years. The type of experience obtained while being the southeast regional housing director for the NAACP; the Program Director-Section 8 Existing and Moderate Rehab for Georgia Residential Finance Authority; the CEO of First Rural Services, a rural housing consulting firm; and the Housing Development Specialist for the Housing Assistance Council have provided me with a wealth of hands on knowledge about the conditions of housing in the southeastern states including Georgia.

Additionally, I am a certified and registered rehab building inspector in Georgia with the Southern Building Code Congress. In the administration of the Section 8 Existing Program, in rural Georgia, over a period of six years I've found that the conditions are improving, but we still have a long way to go.

Nationally, there has been an increase of 25% of rural occupied housing units. The number of occupied rural units which were substandard declined by 48%. In spite of the decline in units considered substandard, there still remains more households who under the most conservative criteria are shelter poor; they are both poor and occupants of units which either lack plumbing or are overcrowded. The rural poor are much more likely than the urban poor to fall in this shelter poor category. The correlation between shelter poverty and minority status is high, nearly half of the rural shelter poor are minority households, and nearly half of the rural poverty-level minority population lives in units which are substandard. By the way, the new term of "homeless" that is pinned to urban people without a home at the moment, these people are usually identified in rural communities as the "overcrowded".

HOUSING PROVIDERS

In Georgia, there are several agencies that provide funds for the development of housing in the rural community. Specifically, the Farmers Home Administration (FmHA), Georgia's Department of Community Affairs, U.S. Department of Housing & Urban Development, Georgia Residential Finance Authority and the Housing Assistance Council.

In addition to the lenders of funds, there are the developers. A particular segment of this category is the non-profit developer. Today, with the advent of the Tax Reform Act, specifically the Tax Credit program, the non-profit will be a very important factor in the development of new construction in rural Georgia.

The only agency that is presently capable of providing an interest rate to a level low enough to impact on the ability of the low income person to pay his/her rent or mortgage is Farmers Home Administration.

RURAL HOUSING PROBLEMS

1. Lack of affordable housing: Since the reduction of subsidy for rental housing, the rental population has found it harder and harder to maintain their homes.
2. Discrimination by FmHA personnel to female-headed households, and minorities. Complaints still come to FmHA headquarters and are found to be a complaint that is not discriminatory, due to the fact that the applicant had not submitted adequate information. Problem: local community groups monitoring the agency/local office find differently.
3. In Georgia, the lack of housing codes for uniformity in construction for decent, safe and sanitary housing.
4. Usage of allocated federal funds in the state of Georgia. In the year Sept, 1986 FmHA had allocated 55.7% of the rural housing single family loan funds, further in 85 the allocation was 27.2%. The housing programs administered by FmHA in Georgia have not spent the allocation of funds, for several years.
5. Do not eliminate FmHA. There are problems, but we must not throw the "baby out the bath water". The delivery system to rural Georgia can not be matched by any other federal agency. The proposed suggestion of folding the rural housing programs under the "arm pits" of HUD, will only frustrate the rural citizen in obtaining the present limited resource. The termination of the successful FmHA delivery system will cause low income rural citizens to inevitably travel great distances in order to even apply for rural housing assistance. FmHA is supposed to be the "lender of last resort".
6. Georgia, under the present constitution, can not provide funds directly from the budget to the Georgia citizen for housing, as does the state of New York, Mass., or California.

RECOMMENDATIONS

1. Retain the FmHA agency, but correct the problems of discrimination, lack of manpower, and internal management problems.
2. Due to prepayment of #515 rural rental housing project loans, there are families being evicted because of the conversion to moderate income housing or condo. This has not *yet* happen in Ga.
3. Convert vouchers to rental assistance. Vouchers don't allow new construction or rehab of housing which is needed in rural Georgia.
4. Reinstate RAP (Section 521): rental assistance by FmHAS is to terminate in FY 88'.
5. Designate construction/rehabilitation funds for rural public housing authorities.

STATEMENT OF WILBUR T. GAMBLE, CHAIRMAN, GEORGIA AGRICULTURAL COMMODITY COMMISSION FOR PEANUTS

Chairman Leahy, members of the Senate Committee on Agriculture, Nutrition, and Forestry: My name is Wilbur T. Gamble. I am a farmer from Terrell County, Georgia, and chairman of the Georgia Agricultural Commodity Commission for Peanuts. In behalf of Georgia's 9,000 peanut farmers and their families, I want to welcome the Committee to the heart of peanut production in Georgia and the nation.

Georgia leads the nation in production of peanuts, accounting for some 45 to 50 percent of the U.S. crop in a given year. Together with our neighbors to the west and south—Alabama and Florida—the Southeastern peanut belt produces about 65 percent of the U.S. peanut crop. Most of this production is located within a 150-mile radius of these hearings.

Peanuts also are Georgia's number one cash crop. The commodity is grown commercially in some 70 counties all across the southern half of our state from the Savannah River to the Chattahoochee. Even in the devastating drought year of 1986, the farm value of peanut production in Georgia amounted to $487 million. This was 47 percent of all farm income in our state last year. (See attached chart of 1986 farm income in Georgia by percentages.) In a more normal year, the farm value of peanut production in this state would be in the $600 million range or more.

You can readily see, Mr. Chairman and members of the Committee, that peanuts are vital to the agricultural economy of Georgia—indeed, to our state's total economy. Agriculture economists say every dollar of farm income turns over seven times in the economy. If that is so, peanuts have $3.5 billion to $4 billion impact on the Georgia economy.

Not only do peanuts provide a valuable and stable source of income for the farmers who grow then, but they are the foundation of a peanut industry complex that includes warehousemen, shellers, processors, manufacturers, brokers, exporters, and an entire network of agribusinesses that provide services and supplies to the industry. Much of the peanut industry complex is physically located within the three-state producing area of the Southeast. Some facilities for shelling, processing, and manufacturing the final product are located just a few miles from the farms where peanuts are grown.

In the major producing counties, peanuts are the lifeblood of the community. Peanuts provide jobs, both on and off the farm, for many who otherwise would be jobless and would have to leave their communities to seek work elsewhere, probably in urban areas.

Peanuts help keep many small town banks, merchants, retailers, and service establishments in business. Who knows how many churches and schools in our rural areas would fade away and how many small towns would simply dry up if it were not for peanuts.

Peanuts today are one of the rare bright spots of American agriculture. The peanut program that Congress enacted in the Food and Security Act of 1985 is working and working extremely well.

The peanut program is a finely-tuned, supply-management mechanism that has evolved over many years and which was further improved upon in the 1985 Act. It is a unique farm program that is providing unique benefis to everyone concerned:

It assures farmers of an orderly market and the opportunity of a fair return.

It assures the American consumer of a consistent, adequate, and stable supply of a high quality, nutritional food at reasonable prices.

It allows U.S. peanut producers to compete in the world market, if they so choose and essentially at their own risk, and has made this country the leading exporter of edible peanuts.

It prevents the buildup of costly, price-busting surpluses, as we currently see in some other commodities.

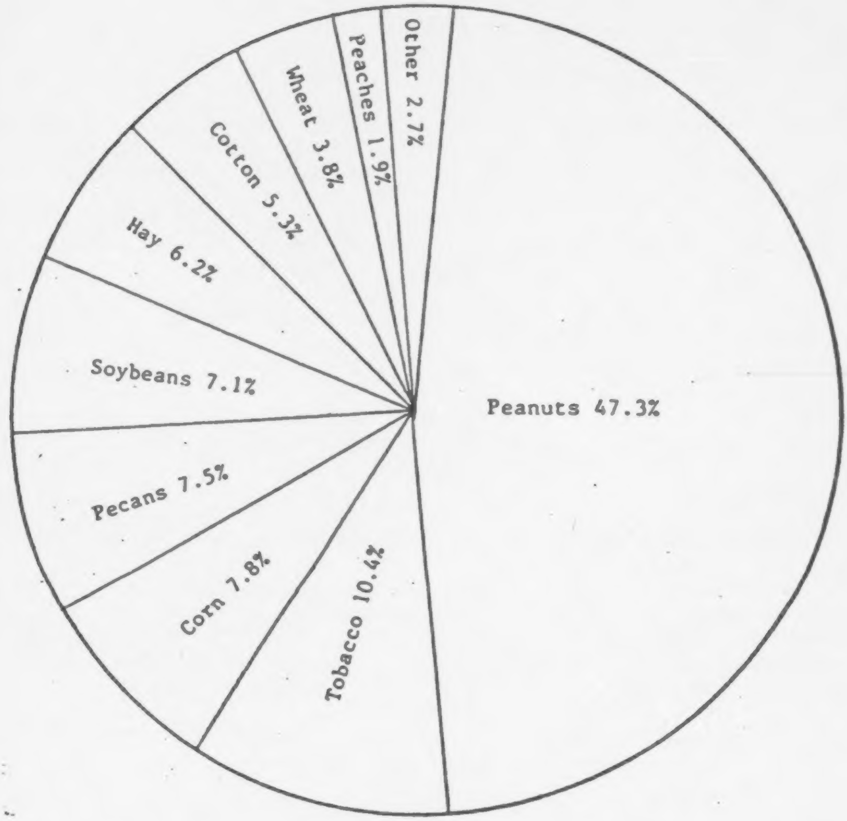
And its cost to the taxpayers is infinitesimal in relation to most farm programs—an estimated $2 to $3 million a year as a result of modifications made by Congress in the 1985 Act.

Peanut growers see no need for any legislative changes in the 1985 Act as is pertains to peanuts at the present time. Indeed, we would strongly oppose any move to change the program. We are grateful to Congress, and especially to the Chairman and members of the Senate Committee, for your support of the program. We think it should be allowed to operate as Congress intended throughout the life of the 1985 farm law.

Mr. Chairman, peanut growers do have some concerns over the new round of GATT multinational trade negotiations now getting underway. We are disturbed by rumors and reports that some effort may be made to "give away" the protection that peanuts and some other U.S. commodities, including certain dairy products, have under Section 22 of the Agricultural Adjustment Act against unfair competition from low-cost, inferior-quality imports. We urge the Committee to monitor and scrutinize the GATT negotiations carefully to see that American farmers' interests are fully protected.

Thank you for the opporturnity of presenting these brief comments. And thank you for your interest and concern for rural America and American agriculture, which is dramatically evidenced by your coming to South Georgia to conduct these hearings.

Value of Georgia's 1986 Crops



The combined value of major crops harvested in Georgia for 1986 totaled $1.03 billion, $334 million or 25 percent less than the value of the same crops in 1985.

Prepared Statement of Dr. James Hotz, Medical Director, Albany Area Primary Health Care Office

March 30, 1987

Honorable Senators:

I am intimidated by the task before me this morning; to explain the medical needs of my patients, the farm families of Baker County. The needs are enormous and complex, and unfortunately, must be remedied immediately.

My presentation will be in four parts:

1. A brief history of Albany Area Primary Health Care and my involvement to illustrate my perspective as a rural community health center physician.
2. A description of the medical problems facing the farmers I care for.
3. An explanation of the three most successful Federal programs that address the health needs of rural families.
4. A suggestion for steps that should be taken in the near future to assist the rural families.

1. A history of Albany Area Primary Health Care.

A crisis led to the formation of Albany Area Primary Health Care 10 years ago. There were no physicians in Baker County, Lee County, or in East Albany. Community leaders from the three sites united to form a three-county health network under a combined urban and rural health initiative. Albany State College, through representatives from its nursing school, helped coordinate activities and write the initial planning grant. Dr. Billy Black, President of Albany State College, is still very active as Vice President of the Board of Directors and is in the audience today.

At this same time I was finishing my internal medicine residency at Emory University in Atlanta, and I wanted to work two to three years in an underserved, rural area. I volunteered to join the National Health Service Corps, and I was assigned to Albany Area Primary Health Care as its first medical director.

This was an eye-opening experience for a "Yankee boy" from Ohio, but after the culture shock wore off, I fell in love with the people. They are honest, hard-working--the building blocks of our country. We established a program based on accessible, quality, primary health care services and were guided by a community board - these are local people tailoring our program to meet their medical needs.

I saw the first patient in February of 1979, and I now have offices in Leesburg, Newton, and in East Albany. Prior to establishing our practices, there had been no physician in Leesburg in over 30 years, none ever in East Albany, and none in Newton in over 40 years. Now there are 10 physicians, 4 physicians assistants, a dentist, and a mental health counselor in these areas. There are over 60,000 patient visits a year, and approximately 12,000 active patients. The office in Newton is a very unique facility since it is the only primary health care center in our part of the country that has a health department, mental health program, and primary care center housed in the same building. This building was constructed from a grant from Robert Woodruff, who has a plantation in Baker County.

What started out as a two year fling has now become a career for me.

2. What are the medical problems of today's rural family?

After caring for patients in inner-city Albany and rural Baker County, what impresses me most is how much more the health status has deteriorated in the rural area as compared with the urban area over the past nine years. As the delicate fabric of the rural society unravels with each farm foreclosure, there is a concomitant elevation in stress, apathy, and despair. Unlike Albany, where there are 120 social agencies comprising the safety net to catch the Firestone workers when their plant closed, there are only a handful of social agencies in Baker County. Albany has agencies ranging from Alcoholics Anonymous to the Salvation Army; Baker County has the health department, the Department of Family and Children's Services, our community health center, and its churches. It does not even have its own ambulance service. The Firestone worker loses his job, the plant is closed by someone in Akron, and the worker rarely feels he has personally failed. The farmer who loses his farm loses his job and his life. He feels he has failed not only himself, but his ancestors who gave him the land and his children who will never inherit his land. Despair and apathy invades the community. With each farm that falters, the rest of the farm families become more preoccupied with the business of the farm then with their families or their health. The following are five examples to illustrate my point, and unfortunately, represent a small portion of my patients who are currently affected by the farm crisis.

a. A 62 year old Black male who lost his farm and started drinking heavily for the first time. In the midst of a two-week alcoholic binge, he struck his head and presented to the emergency room unconscious and with what appeared to be a stroke. Subsequent workup revealed that he had a subdural hematoma, which is a large clot in his brain, and this required emergency surgery. He almost lost his life after losing his farm.

b. A 57 year old white male who has diabetes, hypertension, and an elevated cholesterol. He is over $250,000 in debt and experiences wide swings in control of his medical problems. When asked why he does not try to control his medical problems better, he says he has no interest because it would only make him live longer. When asked why he does not file for bankruptcy and begin a new career, he claims, "I'm like an alcoholic. My farm is my bottle. I know I'm not going to succeed, but I am hooked. For a brief time each morning when I wake up I really think I have a chance."

c. A 42 year old white male who lost his farm and now he cannot sleep. He has headaches and has dizziness. His wife has stomach pains, headaches and dizziness. His children are experiencing behavioral problems at home and in school. Their performances are deteriorating. They have no money for healthcare. They are currently seen at our community health center and pay on a sliding scale for their services.

d. A 68 year old white male with hypertension, obesity, and severe degenerative joint disease. He needs to lose weight, his blood pressure is poorly controlled, his joints are breaking down. Asked why he does not diet, he says, "I eat when I'm anxious; now I'm eating all the time."

e. A 3 year old who aspirated a small object into the lung. The family called the ambulance services, but there were none available in Baker County. The family took the child to the emergency room, and in the 20 minutes it took to get the child to the emergency room, the child expired.

The reason why despair and apathy are so dangerous is because the diseases that kill our patients today in Baker County are diseases that are best treated by changes in lifestyle. Unfortunately, if someone does not care if he lives, he does not follow a diet, take pills, or stop smoking.

Enclosed in the packet is a summary of the leading causes of death in Baker County. A summary of this revealed that 44% of patients die from cardiovascular disease, that is either strokes or heart attacks. These conditions can be prevented or postponed by careful control of cholesterol, which means following a strict diet, control of blood pressure which usually means taking medicines and following a diet., by stopping smoking, and by reduction of stress. All of these are very difficult for a farmer who is stressed to follow.

20% of patients die from cancer. This requires regular checkups as recommended by the American Cancer Society. 80% of cancers can be detected early or prevented, but this requires regular access to the health care system, enough funds to receive care, and motivation enough to seek the care. Once again, in a stressed farm family the concern for health becomes a low priority.

20% of patients died last year from accidents, with half of these being auto accidents and half being accidents occurring on the farm or in the home. This number could be significantly reduced by using seatbelts and avoiding alcohol while driving. In addition, when accidents do occur prompt emergency services are the best way to guarantee survival. As mentioned earlier, there are no ambulance services now available in the county.

Another 10% die from chronic lung disease, pneumonia, and influenza. This is best avoided by stopping smoking. Unfortunately, in times of stress, there is little motivation for stopping smoking.

In total, 94% of all deaths are from the above mentioned causes, and these are amenable to early detection or prevention.

Other indications about the poor status of health are the fact that the infant mortality rates for Blacks in Southwest Georgia is 19.5% and is 13.4% overall. Georgia ranks 47th in the country, and it is a sad commentary to realize that a Black child born in Baker County is less likely to see his or her first birthday than one born in Trinidad.

Other barriers to care that make it difficult for the farm families to receive health care outside of stress and apathy are poverty and poor transportation.

See enclosed summary of the Needs/Demand Assessment that reflects the socioeconomic status of Baker County and Southwest Georgia. A summary of this reveals that 27.4% of the residents in Baker County are below poverty level, versus 12.2% of the population as a whole. 65% above 18 years of age have not finished high school.

53% of patients seen in our office are below 100% of poverty level and 72% are below 200% of poverty level. This year alone, over $40,000.00 worth of indigent care will be delivered through the community health center program in Baker County, and this is exclusive of the Medicaid and Medicare write-offs. Because of the high rate of poverty, without a community health center that will take care of people regardless of ability to pay, many patients would not receive emergency or preventive health services. Because of the high rate of poverty and the poor economic status, a young doctor like myself could not afford to practice in Baker County.

3. Three very successful programs that address the health neeeds of rural families.

The presentation so far has been rather bleak, but I believe there is hope. There are several very good programs that have been devised to meet the needs of our suffering farm families.

The first one I'd like to address is the community health center program. This program is why I am still able to practice in Baker County. It allows our organization to deliver excellent primary health care services to one of the poorest counties in Georgia.

Nationwide, the community health center has been shown to be very effective. There are studies that show decreased hospital rates of 20-70%, and decreased infant mortality rates up to 40%. Centers have decreased Medicaid payments to individuals as much as 40%. Currently, there are 600 community health centers nationwide, and they received only $400 million in funds to take care of over 10 million patients. The program has been so successful that even the current administration, in the height of budget trimming during the Graham-Rudman Act, made this program one of four that were given special exemptions receiving only a 2% reduction in budget.

In Southeastern United States, the poorest and most heavily hit by the recent farm crisis there are $111 million in funds allotted with 58% of these funds or $64,518,642.00 going to rural areas. By law, the community health centers must see people regardless of financial status. The programs emphasize preventive services, and I hasten to remind you that 94% of all deaths in Baker County can be influenced by preventive healthcare.

The second program that has been extremely successful is the National Health Service Corps. This is the only way in which we could staff our community health centers. All of our physicians have come through the National Health Service Corps, and currently two-thirds (2/3) of all physicians serving in community health centers come from the National Health Service Corps. Currently, the 3,000 physicians in underserved areas throughout the country have been placed through the National Health Service Corps; 603 of these are in rural Southeast United States.

Despite the fact that throughout the country the doctor per patient ratio has dropped from 1 to 750 in 1980 to 1 to 500 in 1985 in towns of less than 10,000, the doctor per patient ratio is still less than 1 to 3,000, and actually has worsened over the past five years. As the economy worsens in the rural areas, doctors are less inclined to move there. The current crisis in community health centers is that from a high of 3,000 scholarship people entering obligations in 1981, this number will fall to 300 this year; and unless the program is revitalized, the number of rural areas in Georgia will lose their physicians. Included in this list are our programs in rural Lee and Baker counties.

The final Federal program that I would like to mention is the WIC Program. This is run by the health department in Baker County. This program is administered by Mrs. Juneile Rhodes, public health nurse who is a member of our Board of Directors. Mrs. Rhodes demonstrates a tremendous concern for her patients in Baker County and is quite aware of the farm crisis since her husband is a farmer. She has enrolled over 52% of those eligible for WIC in the program in Baker County. This compares to the regional average as approximately 40%. In the month of December alone 138 children received nutritious food supplements through the WIC program. This program is essential because it encourages mothers to receive early prenatal care and it gives the very poor farm families food for expectant mothers and babies. Over 19,000 women and children received services in Southwest Georgia from this program alone. This program has been proven to be effective on a nationwide basis, reducing prematurity by 23% in whites and 15% in Blacks. It showed an increase in birthweight of 23-47 grams in enrolled mothers. A 10 year study done by CDC showed reduction in anemia from 7.8% to 2.9%.

4. Conclusion.

Congress must realize that an entire way of life is facing extinction. Congress has acted swiftly in the past to preserve the habitat of small amphibians; why not exercise the same standards to save the backbone of this country, our farmer? These are a hard-working and just group of people that deserve your attention. They are too proud to accept a handout, but they desperately need a hand. A serious and possibly terminal illness has struck the farm community. Physicians like myself and dedicated nurses like Mrs. Rhodes want to care for this ailing community through programs like the community health center, the National Health Service Corps, and the WIC Program. These programs are not enough, however, and we need you to earnestly seek a cure. Obviously, radical steps must be taken; funds must be cut elsewhere and sent to the farm. A sense of justice, compassion, mercy, and fair play dictate that this decision be made and a new farm program be developed. The future of my farm patients in Baker County will depend on your sweat and hard work. I am confident and pray that you will be up to the task. Thank you very much.

Statement of Jess Tanner, Regional Vice President, Georgia Cattlemen's Association

Good Morning, my name is Jess Tanner. I am a cattle producer with a cow calf operation near Douglas, Georgia, and currently serve on the Executive Committee of the Georgia Cattlemen's Association. We welcome the opportunity to present the beef cattle industry's views on legislation and issues currently being considered by the Senate Agriculture Committee.

Let me begin by pointing out that as the largest segment of American Agriculture, the beef cattle industry is not a government supported farming enterprise. Our industry along with the other meat, fruit, and vegetable producing farmers are the only segments of American agriculture that have not come under some type of government program during the last 50 years. As for the beef industry—we like it that way and seek to continue to operate within the context of the free enterprise system.

This is why most of our concerns dealing with U.S. agricultural policy are often with policy in the program crops which impact our industry. We do not feel a non-program commodity like cattle should have to bear the negative effects of government action in supported commodities.

Other cattle producers and I simply ask one thing of the Senate Agriculture Committee—during your deliberations, as you consider commodity programs, remember that there are major parts of American agriculture without programs that do not want programs. *Please consider the consequences of your actions in the program crops on those of us in the non-program segments of agriculture.*

Now to be specific: We would hope that Congress will *not seek to open the 1985 Farm Bill* to major revisions this soon, but we realize that there is pressure to do so. If the farm bill is opened, we have real concern in several areas: Number one is the feedgrains portion of the bill. As the largest domestic user of feedgrains, the livestock industry is directly affected by feed grain policy.

We adamantly *oppose any type of mandatory production controls, quotas, or acreage limits for grains.* Mandatory production control programs would force domestic users of grain to pay an inflated price for feed while the rest of the world would pay a lower price. In effect, this would export the livestock feeding industry in this country. This would result in reduced market demand for the feeder cattle that I and most other cattlemen in Georgia produce. Our neighbors in Canada would be able to feed U.S. corn cheaper than U.S. cattlemen. Cattle producers do not wish to make excess profits at the expense of corn producers, but neither do we want to see the American grain industry centrally controlled by the Government. Mandatory controls on grain would cripple the livestock feeding industry in this country.

Another area of discussion in the feedgrain policy with which we have concern is the so-called "0–92" proposal. Our concern centers around the handling of haying and grazing provisions for these acres that will be taken out of production. Many cattle producers have been forced out of business because of the economic situation in the cattle industry in recent years. Those of us left represent the smallest number of cattle in this country since 1962. We've weathered the economic storms, and reduced our production in response to free market pressures. We feel we are now moving into a position of better economic times in which supply and demand in our industry are better aligned. We do need an artificial expansion of cattle numbers in this country on land on which a farmer has been paid not to produce grain.

Allowing grazing on acres idled under the 0–92 would be an artificial stimulus in our market that would result in an oversupply of cattle and a return to depressed prices.

It's just plain not fair to pay one farmer to idle his land and allow him to run cattle on that land and compete in the cattle business against a farmer who is running his stock on land which he receives no payment.

Simply stated—*If you pay a farmer not to plant program crops, then please do not allow him to use that same land for beef cattle production.*

Another policy area with which we have concern if the Farm Bill is reopened is dairy policy. We urge you to stay the course with dairy policy as it is in the current farm bill.

We (the beef cattle industry) took our licks last spring because of the dairy termination program, and we have no desire to go through anything of that type again.

The whole-herd buyout was the classic example of why we urge you to consider the impact of government policy in program crops on those of us in non-program crops. While the memories of some tend to be short, let me assure you that this program left scars on those of us in the beef cattle business that will never be forgotten. It's not easy to accept an almost overnight drop in prices of 8 to 10 cents per hundredweight for your cattle just because the federal government announced a program in another commodity. Losses of up to $100 per head remain in a cattlemen's memory and absent from his income statement forever.

True the market reaction to the buyout may have been psychological and true it may have lasted just four to five weeks, but those statements are of no consolation if you had to sell cattle during those weeks when the bottom fell out of the market. Many cattlemen in Georgia did have to sell during that time, resulting in large losses in income.

The dairy industry sold the dairy termination program on its merits; the beef industry suffered its consequences. It's time now for all to live with the policy. We see no advantages in changing the dairy provisions of the 1985 farm bill in any manner.

We thank you for the opportunity to discuss our concerns with you. Again, we ask that you keep in mind that there are major parts of agriculture, like the beef cattle industry, that are without government programs and do not want them. *As you contemplate policy in the program commodities, please consider the impact on these non-program segments of agriculture.*

STATEMENT OF R.L. "BOBBY" WEBSTER, BURKE COUNTY, GA

Senator Leahy, let me welcome you to our great state of Georgia—and Senator Fowler, welcome home—and welcome also to the Committee. It's certainly a pleasure and honor to know that the members of the Senate Agriculture Committee are concerned about rural America and farming by having this hearing here in Georgia. I'm R.L. "Bobby" Webster, a cotton farmer from Burke County, Georgia. I have been farming since 1954 and derive 100% of my income from cotton.

I would like to tell you what cotton means to Georgia, what the Food Security Act of 1985 means to Georgia's cotton farmers and what the Boll Weevil Eradication Program will mean to our state.

When I checked the lastest figures of the U.S. Department of Commerce and Bureau of the Census, they showed that there are 949 businesses, employing 28,740 workers, generating revenue of $1,743,546,000 in the Georgia cotton industry.

And, Senators, those figures are 1982 figures. They are bigger now. As an example, Georgia has 80 textile mills. USDA figures show that domestic consumption of cotton in 1986 will be up at least 10 percent from 1985.

Further breakdown in the Georgia cotton industry shows about 2,400 farmers on about 800 farm units, some 60 gins, 18 merchant businesses, 19 cotton warehouses, and 3 cottonseed oil mills. Not to mention the thousands of suppliers of fuel, seed, machinery, fertilizer, insecticide and other farm inputs, and the labor required to grow, harvest and process the crop. Cotton is truly big business in Georgia. Georgia's rural economy—indeed Georgia's economy—cannot do without the cotton industry.

As to the federal cotton program, I am pleased to report to this committee that the 1985 Food Security Act is working quite well for cotton. In the first year of the marketing loan, offtake of U.S. cotton is up 68 percent, cotton exports have more than tripled, carryover stocks have fallen 45 percent, and foreign cotton acreage has dropped by 12 percent. And all this was accomplished while program costs were falling 29 percent.

Cotton's outlook points to even higher offtake, lower stock levels and lower costs. Cotton's program costs in the remaining four years under the marketing loan will decline to 40 percent of what they were in the final year of the old loan program. That's primarily because some of the 1986 start-up costs were one-time payments and, of course, both our loan level and target price will be systematically lowered in the program's remaining years.

It is realistic to think that producer prices will remain above the loan, and that cotton's program costs will average between one-fourth and one-half of what they were during the 1985-86 crop year.

National Cotton Council economists calculate that under the current program, 4.8 million bales *more* U.S. cotton will be sold in 1986-87 than would have been sold under the previous loan program. They further project that, across the five-year life of current legislation, the *additional* production and sales will total 26 million bales. Those additional bales means more processing, handling, merchandising, and manufacturing. They mean the purchase of more input. They mean substantially increased revenue for local communities, the preservation of jobs and a solid tax return to federal and state treasuries—all important factors in what many call "rural development."

In fact, Council economists estimate that over the life of the current program, compared with the previous one, additional revenues of $11.5 billion will be generated for local economies. For citizens in rural communities across America, that means 51,500 more jobs. These benefits are seldom acknowledged. if they were, the expenditures might be appropriately praised as an investment in the economic well-being of America—especially rural America.

Mr. Chairman, we could not ask for a program to work any better, any truer to design, than has the marketing loan program for cotton. We believe the program has served well the interests of every segment of the American cotton industry as well as American citizens at large. We appreciate your support and leadership for keeping the program intact.

Mr. Chairman, members of the Committee, Georgia's cotton farmers want the Boll Weevil Eradication program to start this year in Georgia. Our farmers are willing to put up 70% of the cost with the remaining 30% shared by the Federal Government. We need 8.5 million dollars right now, to begin this all important program this year in our state. We would hope that we can join together in this self-help program which will be, if implemented this year, a giant step towards helping our cotton farmers in Georgia see the light at the end of the tunnel.

An economic study by the National Cotton Council clearly shows that an eradication program is a good investment for Georgia's cotton industry. Assuming a $25 per-acre savings in the cost of boll weevil treatments, the analysis shows the eradication program would have a present value of $75 per acre and a return on investment of 32 percent.

Georgia cotton producers would benefit in many ways from this program. Lower insect control costs contribute greatly to lowering the cost of producing cotton. Higher average yields and increased cotton acreage are other benefits from the program. Data from North Carolina shows cotton acreage increases of 40-60 percent are possible following eradication. Average cotton acreage in Georgia has been about 180 thousand acres although, in 1985, 250 thousand acres were planted. It is possible that cotton acreage may increase 70-110 thousand acres following the boll weevil eradication program. The increased value of production from this additional acreage is $20-$35 million based on statewide average yields and prices.

Increases in cotton acreage would result in additional income into our local economies because of the greater use of production inputs. Average variable cost of production is approximately $150 more than other crops such as soybeans, wheat, and corn. Reducing this difference in variable costs by the savings on insect control costs would result in an $8.0-$12.5 million benefit from the eradication program.

Additional benefits are also realized from fewer insecticide applications resulting in a cleaner and healthier environment. Current estimates indicate cotton producers save 40-60 percent on total insect control as a result of the eradication program. This means cleaner water, cleaner air, and additional savings of $2.5 to $3.0 million to area cotton growers.

Increases in revenue also are expected from higher cotton yields. We can expect up to 50 pound per acre increases. This alone results in $5-6 million in additional farm income.

However, benefits from boll weevil eradication are not limited to cotton producers. The entire cotton production and marketing sector of the state's economy also benefits. Increased cotton production means more volume for cotton gins, merchants, warehouses, and cottonseed processors.

The cotton production and marketing industry generates over $210 million in revenue for the State of Georgia. Indications are the value of a bale of cotton produced in the state increases approximately 1.38 times as it moves through the marketing chain. Therefore, benefits from the eradication program to the entire cotton industry segment of the state's economy are estimated to total $80-$120 million. Furthermore, the textile mill products and apparel manufacturing industries employ approximately 165 thousand workers and generate $11.8 billion in revenue for the state. Increased cotton production is likely to help this important segment of the economy by providing lower transportation costs for mill-delivered cotton.

A successful boll weevil eradication program in Georgia benefits the entire state economy and not just the cotton producers. Revenue generated by the cotton production segment increases 4-6 times as it moves through the economy. Transportation, utilities, farm equipment suppliers all benefit from the boll weevil eradication program. Annual net returns to the state are estimated to be $436 million. These benefits are gained from a program that costs approximately $35 million over three years. Total costs to state cotton producers is $24 million over this period.

The attached table (Exhibit 1) summarizes the benefits and costs of the boll weevil eradication program. When considering the benefits gained by both cotton producers and the overall state economy, the boll weevil eradication program is a very attractive investment for the State of Georgia.

Mr. Chairman, members of the Committee, Georgia needs the cotton industry, our cotton farmers need the continuation of the Cotton Title of the Food Security Act of 1985 and our cotton farmers need the Boll Weevil Eradication program this year. Thank you.

Exhibit 1
Estimated Annual Returns to the Georgia Economy From the Boll Weevil Eradication Program

RETURNS TO PRODUCERS	Million Dollars
1. Increased acreage (90,000 acres x 530 lb./ac. x .60 $/lb.)	28.6
2. Savings on insect control cost (270,000 acres x $32.50)	8.8
3. Increased yield (270,000 acres x 25 lbs. x .60 $/lb.)	4.1
RETURNS TO STATE ECONOMY	
1. Increased production inputs (90,000 acres x $117.50 variable cost^{a})	10.6
2. Value added by processing and marketing (100,000 bales x $318/bale x 1.38^{b})	43.9
TOTAL	96.0
Multiplier for state economy = 5.0^{c}	
ANNUAL RETURNS TO STATE ECONOMY FROM BOLL WEEVIL ERADICATION PROGRAM	436.0

Total Program Costs Over Three Years

	Million Dollars
1. Federal Government Funds	10.2
2. State Cotton Producers Assessment	23.9
TOTAL PROGRAM COSTS	34.1

---

[a] Variable costs of cotton production historically average approximately $150 more than alternative crops grown in Georgia. However, this is reduced by the additional savings on insect control cost resulting from the program. ($150.00 - $32.50 = $117.50)

[b] Average mill-delivered value of $375/bale plus $48/bale value of crushed cottonseed products divided by $307/bale farm value.

[c] Multiplier is the increase in a dollar's value as it moves through the economy. Generally estimated at 6-9 for the national economy and approximately 4-6 for state economies. Savings on insect control not included in calculations.

STATEMENT OF GENE MARKS, PRESIDENT OF GEORGIA MILK PRODUCERS, INC., ATLANTA, GA

I would like to express appreciation to Chairman Leahy, Senator Wyche Fowler and all the members of the committee for coming to Georgia to listen to our needs.

We are especially proud of our Senator Wyche Fowler for being a member of this committee that is so important to our industry and our state.

We do have a lot of needs in agriculture throughout the nation and even more so in Georgia because of the many successive years of dry weather we have experienced over the past 10 years.

We appreciate the leadership of you as members of the Senate Agriculture Committee in getting dairy legislation passed with the 1985 Farm Bill and also with the Dairy and Tobacco Adjustment Act of 1983. Strong efforts were made in both of these bills to address the thorny issue of surplus milk productions.

The Dairy Termination Program appears to be working at least for the time being. There is a great deal of question as to whether we will have surplus production on down the road. The answer to this question will depend on many things that can not be determined at this time. Such things as feed prices, opportunities in other areas of agriculture, the overall economy, the effectiveness of our promotion program, and world production of milk will all bear heavily on future milk production in this country.

In the event that the Dairy Termination Program is not effective in controlling surplus production over the longer run we believe some type of supply management plan would be beneficial to the industry and the public. We are aware that many different plans for managing milk supplies have been presented and discussed. This was a major topic of discussion at the National Milk Producers Federation annual meeting. We realize that several pieces of legislation on the subject have been introduced and that different organizations of dairymen around the country are studying various plans and ideas. Georgia Milk Producers, Inc. also has a plan that has been developed.

In developing this or any other national dairy policy, we think it is important that members of Congress recognize that regional differences exist within our industry. Experience has shown in both the Dairy Termination Progam and the Diversion Program that effort to cut production nationally actually created shortages of fluid milk here in the Southeast. Cooperatives had to go outside of our region and as far as Minnesota, Wisconsin, Michigan and Pennsylvania to procure milk to satisy the needs of their regular customers. This cost the producer members of these cooperatives to supply this milk that they would have been willing to provide for less money.

Along with the National Milk Producers Federation we support legislation that would place a quota limit on casein imports at 50 percent of the average amount imported during the last five years. It is my understanding that the rapid growth of casein imports displaced, for example, about 7.5 billion pounds of milk in 1985. This, ironcially, is just about the same equivalent amount of CCC purchases projected for 1987 by the USDA.

Lastly, the new tax law may have some implication for all cattle producers that I really doubt were the real intent of Congress. For example the treatment of relpacement cattle under the new law may require farmers to pay a great deal more tax over the next several years and require much more extensive record keeping.

Again, thank you for coming to Georgia.

Georgia Milk Producers, Inc. is a nonprofit association representing all producers within the state. This includes producers that belong to the various cooperatives as well as independent handlers.

STATEMENT OF JAMES LEE ADAMS, JR., VICE PRESIDENT, AMERICAN SOYBEAN ASSOCIATION

Chairman Leahy and Senator Fowler thank you for these hearings in South Georgia and for the opportunity for the grass roots to express to you our aspirations and frustrations concerning life in rural Georgia and to suggest possible remedies for what ails us. I am James Lee Adams, Jr., a farmer from Camilla, Georgia, and also vice-president of the American Soybean Association, an organization that represents 419,000 farmers nationwide.

Let there be no mistake about it, today we are discussing the quality of life in rural South Georgia. We are talking about the standard of living of ourselves—our children—and others now and in the future. We are caught in forces that we did not appreciate or comprehend but a few years ago. Our livelihood is threatened from forces external to the borders of the United States, and, also, it seems to many of us, that not only are other countries eating our lunch but some administration and world financial leaders are setting the table for them. Let me give you some examples. Many IMF and World Bank loans are specifically targeted at increasing production for export of commodities already in worldwide oversupply with the objective of servicing debt, regardless of the havoc this creates. One instance is a recent $350 million loan to Argentina to expand the amount of land devoted to wheat and soybeans, and, incidentally, with accompanying increases in Argentine peanut production. Another example is a recent ASA study team filing a report that Brazilian soybean production would level off because of poor transportation facilities from the interior. Someone was reading our mail for soon afterwards a loan of $200 million was made to build rail lines so they might boost their exports. We are shutting down rail roads in South Georgia, destroying our ag infrastructure, and building the infrastructure of our competition. Last year South Georgia was devastated by a drouth—so was Brazil. Brazil was granted a $4.3 billion loan to install irrigation in that country. Again, I ask, who are we helping, ourselves or our competition? Last December I was in Tokyo representing U.S. soybean farmers in our number one country market. On a visit to the U.S. Embassy we discovered they were planning to hold a symposium on rapeseed. Rapeseed is not exported from the U.S. but it is from Canada and rapeseed is becoming our primary competition in the Japanese market. Does this make sense? We have prided ourselves in the United States over our technological progress, but this too we are dissipating. The cotton industry has developed a computer model of the cotton plant and farmers have been utilizing this model to achieve notable increases in yields. Plans are for 100 U.S. farmers to have access to this model in the coming growing season. However, 100% of Israeli farmers will access the model this year and Egypt has requested a copy for use by their farmers. Developed in the U.S. with U.S. funds, but implemented first elsewhere for the benefit of our competition, isn't this indicative of why we are in the mess we are in in South Georgia and the US?

The United States can no longer be Uncle Sugar to the whole world, we must regain some of the Yankee trading cunning and ingenuity that our forebears possessed and it must begin at the top. Those minding the store have seemed to be determined to give the store away and do not recognize or care that U.S. farmers owe more than Brazil, Argentina, and Mexico combined. They do not know or care that in the last 5 years 400,000 jobs have been lost due to the ag export fall.

Well, what do we do? One option is to turn inward, grow for the domestic market, and in my opinion, shut down rural South Georgia. Planted acres of soybeans in Georgia but 3 years ago were in excess of 2 million acres, last year we harvested 850,000 acres. As bean acres fall, other program crops such as peanuts are pressured, for farmers shift acres to them in a desperate attempt to find a profitable alternative and thereby threaten the profits in these crops. If we give away export markets we will need higher government expenditures for agriculture and/or much higher food prices paid by U.S. consumers. We also will see more fertilizer dealers, equipment dealers, hardware stores, etc. shutting their doors. Not only does this cost jobs but it raises the cost of farming as competition is lessened and production inputs are not readily available. It costs the efficient Georgia farmer about $5.50 to grow a bushel of soybeans. Half of his costs are fixed and without an alternative crop for him to produce for the export market we are giving away he will require a break-even price of $8.25 per bushel. Can we sell this support level to an increasingly urban Congress?

Well, again, what can we do? We can wallow in self-pity, turn inward, and give up a decent standard of living for ourselves and our children. Or we can develop a national determination that we will not give away agriculture as we have given away autos and steel, for if we relegate agriculture and other productive sectors of the economy to the economic scrap heap the result will be an economy in which we all make a living by suing each other. We can recognize that markets are out there and we can sell to them if we implement this determination to do so. One last example, if we were to raise the per capita consumption of soybeans of the People's Republic of China to the level of consumption of their Taiwanese cousins it would require all the beans currently being grown in the PRC and all currently being grown in the United States just to fill this market. Someone will service this and other markets. The question is will it be us or our competition? We must have marketing loans extended to other crops such as beans, we must have foreign aid that puts US first, we must have credit needs of the agricultural sector met, our infrastructure preserved and improved, third world debt addressed, exchange rates stabilized, and the GATT negotiations conducted with agricultural interests in mind. This coupled with the realization that we can no longer afford to be the "good guy" in world trade and the determination to get our "fair share" will enhance our economy. Failure to do so will continue to relegate south Georgia to the economic backwater of our country and eventually the United States to the status of a second class power.

Thank you for your presence in South Georgia and for your concern over our problems.

STATEMENT OF RICHARD WEST, MAYOR, CITY OF EDISON, CALHOUN COUNTY, GA

Senator Leahy, Senator Fowler, distinguished members of the Agriculture Committe, fellow local governmental officials, and members of the news media:

Thanks for coming to south Georgia concerning the plight of the farm economy and small towns. As mayor of one American small town—Edison, in Calhoun County, in southwestern Georgia—I am glad to give testimony that we are alive and well. To those involved in leadership, agriculture is still important. However, industrial development of our area is on the horizon where communities work together and seek to improve ourselves.

Loss of Federal revenue sharing did not adversely affect my home town. Our sound local government remains strong. Local sales tax has replaced revenue sharing. Local government still needs water and sewer grants and highway funds.

Our community is getting a new water well funded with a grant through the Georgia Department of Community Affairs. Our community is also constructing a new quarter million dollar local library funded by the State Department of Education and local money.

While we appreciate Federal and State government assistance with local projects, we—the people who live and work in small town America—need to help ourselves.

Whether farm subsidies or foreign aid, we expect our Congressmen and Senators to spend our tax money wisely. The Federal Government should not try to spend the Nation into prosperity. We need a dollar's worth of goods for every governmental dollar spent.

Small town America and the agricultural sector can continue to survive. There is more optimism in the agricultural sector, even though the drought hit hard last year. Despite the drought, farmers survived. disaster assistance from the agriculture department helped farmers survive. That help is appreciated. It will help farmers make another crop, start over, buckle down, and try to make a living again.

The Agriculture Department should continue to fund commodity programs which are self supporting. Any commodity which is a losing proposition for the farmer or government should not be funded. The corn and soybean programs are losing propositions. The peanut program is not a losing proposition. Georgia's peanut program is truly important. I am told by agricultural experts that the peanut program pays its own way and is self supporting. Peanuts are our number one cash crop. Peanuts are a large part of Georgia's farm income. Soybeans and corn, primarily midwestern crops, are not significant in Georgia. Whether farmers live in the Midwest or Georgia, we all know that corn cannot be grown for profit at $1.60 a bushel.

SHEFFIELD CO.,
Quitman, GA, March 30, 1987.

Senator PATRICK LEAHY,
Chairman, Committee on Agriculture, Nutrition, and Forestry,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: This is to continue the discussion begun by our March 9 letter regarding the Sheffield approach to food delivery. In this regard, attached are letters to Chairman Congressman Roybal, Chairman Congressman LaFalce and Chairman Congressman de la Garza that will be of interest to you.

Food is consumed, primarily, based on convenience and availability. Individually packed nutritionally-balanced meals prepared near the farm and reheated when consumed, meet this criteria and are more economical. This approach to food delivery will open markets for farm commodities.

Mr. Chairman, it is a pleasure to hand deliver this letter on the day of your Tifton, Georgia, Committee hearings.

If further discussions would be of value, I am immediately available.

Respectfully submitted,

JOHN E. SHEFFIELD, JR.,
Owner.

SHEFFIELD CO.,
Quitman, GA, March 9, 1987.

Senator DALE BUMPERS,
Chairman, U.S. Senate, Committee on Small Business,
Senator PATRICK LEAHY,
Chairman, U.S. Senate, Committee on Agriculture, Nutrition, and Forestry.

GENTLEMEN: Sheffield Company has developed highly efficient procedures for the delivery of nutritionally-balanced meals. If put into place these procedures can have substantial positive impact on improving the national diet. Over a period of years we have unsuccessfully offered the procedure to the Department of Health and Human Services elderly nutrition program.

Presently Ms. Lois Fu, Staff Director, of the US Senate Subcommittee on Aging is evaluating letters and documents regarding Sheffield marketing efforts. (Some of these are attached). One of the concerns is the possibility of legislating only for Sheffield Company.

The Small Business Administration has identified the value of the technology we have assembled. And is actively seeking a surveillance review of the National Institutes of Health. Mr. John P. Latimer, SBA Assistant Regional Administrator for Procurement and Technical Assistance in Region IV, is familiar with the status of the SBA effort and can be reached in Atlanta at 404 347 4483.

Mr. John W. Bode, USDA Assistant Secretary for Food and Consumer Services has knowledge of our marketing efforts.

The Department of Health and Human Services, the Department of Agriculture, and the Small Business Administration can all play a significant role in improving food delivery procedures in our nation. In the event that they are given sufficient statutory direction by the Congress.

Senators, the purpose of this letter is to let you know of Sheffield technology. In order that you may become involved in the discussions regarding its use. I have advised Ms. Fu that you were being contacted. Any comments that you may have for either of us, will be appreciated.

Respectfully submitted,

JOHN E. SHEFFIELD, Jr.,
Owner.

SHEFFIELD CO.,
Quitman, GA, March 26, 1987.

Congressman EDWARD R. ROYBAL,
Chairman, House Select Committee on Aging,
Washington, DC.

DEAR MR. CHAIRMAN: You will recall that Congressman Charles Hatcher wrote you last year regarding the problems Sheffield Company was encountering, as we attempted to do business in the Department of Health and Human Services elderly nutrition program. Your responsiveness was most encouraging. We submitted a statement for your Select Committee on Aging record. And have continued to supply Brian Lutz with information on our marketing efforts.

After the November elections, Senator Sam Nunn put us in contact with the staff of Chairman Matsunaga of the Senate Subcommittee on Aging. They, too, are most responsive. We agreed that it would be helpful to include Chairman Leahy of Senate Agriculture and Chairman Bumpers of Senate Small Business in the discussions. We wrote them recently—the letter is attached.

Mr. Chairman, I am taking the liberty of sharing some information with Chairman de la Garza of House Agriculture and Chairman LaFalce of House Small Business. In order that they, too, can become involved in this important dialogue.

Our contacts with the Congress are most reassuring. Any assistance that we can give in making the Elderly Nutrition Program a more profound national statement will be a pleasure.

Respectfully submitted,

JOHN E. SHEFFIELD, Jr.,
Owner.

Sheffield Co.,
Quitman, GA, March 26, 1987.

Congressman E (Kika) de la Garza.
Chairman, House Agriculture Committee,
Washington, DC.

Dear Mr. Chairman: Enclosed is a letter to Chairman Edward R. Roybal [1] of the House Select Committee on Aging and some other letters and documents concerning our efforts to market nutritionally-balanced meals.

If the Congress can develop statutory direction of sufficient quality to justify capital investment to serve the Department of Health and Human Services elderly nutrition program. It can be used to introduce more efficient food handling procedures into our food delivery chain. This should open markets for additional farm and ranch commodities.

Congressman Charles Hatcher has been most helpful and Brenda O'Connor has a detailed file on our efforts in his office.

If you need further information—I am immediately available.

Respectfully submitted,

John E. Sheffield, Jr.,
Owner.

Statement of David Leland Stalvey, Bay City, GA

AMERICAN FARM POLICY—A FARMER'S VIEWS AND IDEALS

The mid-sized family farm's of America are disappearing at an alarming rate. These farms are being replaced by either very large farms or by part-time hobby farms. America can ill-afford to depend upon part-time hobby farming to produce the food and fiber for her citizens. Neither would it be wise be become just a large farm nation. Large farms by-pass the present agricultural distribution, marketing and financial systems which are an intergal part of the economy of rural America. By going directly to the manufacturer for many of their supplies, directly to the processor with most of their goods and directly to the money market for their financing; large farms have shaken the economic foundation on which rural agricultural-based America stands. America needs a strong rural sector. Rural America cannot survive without the mid-sized family farmer and the mid-sized family farm cannot survive under the present Farm Policy.

MAJOR PROBLEMS WITH THE PRESENT FARM POLICY

(1) Present U.S. Farm Policy has no clear objective or purpose. Neither farmers, agribusinessmen, nor foreign customers can make sound decisions or long term commitments, since the U.S. Farm Policy has no direction to it.

(2) Present Farm Policy has no spending limits nor actual payment ceilings. In 1986 the government spent over $25 billion on farm programs with increases expected in 1987. While the present Policy has so called payment limitations of $50,000 and $250,000 per farmer there are still reports of individuals and corporations receiving $1 million plus payments.

(3) Even with the large expenditures of government money there has been little sign of improvement in the general farm or rural economy. This is because too much of this government money is going to either the very large farms or to the small part-time hobby farms. These two groups of farms actually need very little government assistance. Since most large farms have lower input cost and higher selling prices, due to volume and direct buying and selling, they could survive with little or no government assistance. And with part-time hobby farmers having other sources of income they likewise could survive without government assistance.

If the government could target most of its assistance toward the mid-sized family farm the money would not only help a larger number of farmers, it would also improve the entire rural economy by moving up and down the present agricultural distribution, marketing, and financial system of rural America.

(4) The present policy offers price support for all qualifing commodities whether or not they are needed for domestic use. This in effect causes U.S. taxpayers to subsidize consumers in other countries since we subsidze the commodities we export to them.

---

[1] The letter to Congressman Roybal is printed on page 358 and therefore was not reproduced.

(5) There is extreme and unequal treatment and subsidies given to the different commodities under the present farm policy. Some commodities are heavily subsidized and supported (milk for example), while others receive hardly any support (soybeans). Some commodities are supported for anyone who wishes to produce them (milk), while with other commodities you have to purchase or inherit the right to be subsidized (peanuts).

(6) With most government programs tied to the land, by either allotments or bases, present farm legislation results in a type of land ownership subsidy. Or even worse in some cases, you have to purchase or inherit the right to just produce a commodity (tobacco). It is against American principles to use one taxpayer's money to subsidize the ownership of land by another taxpayer and to have to buy the privilege to produce a commodity.

OVERVIEW OF AMERICAN MID-SIZED FARM POLICY

(1) Clear Objective: To assure that sufficient food and fiber to supply the needs of the American people is produced on American soil on American mid-sized farms.

Why American soil? A nation cannot become or remain strong if it is dependent upon another country to feed and clothe its people.

Why mid-sized farms? Mid-sized farms offer strength and diversity to American Agriculture by their very number. Also mid-sized farms will use and support an agricultural distribution, marketing and financial system which will provide the foundation on which to build a strong rural economy.

(2) Government subsidies would be limited to USDA certified farmers (those individuals or entities who derive 55% or more of their net income from the production and sale of agricultural products). Payment limitations would be set at an absolute maximum of $50,000 per farmer per year. This will not only keep the government from subsidizing part-time and hobby farmers, but it will also bring the total payment per farmer and total government expenditures on production agriculture down to an acceptable level.

(3) All farmers could produce any commodity in any amount. All commodities would be sold on the free market at world prices. The government would only subsidize that percentage of a commodity required to meet domestic needs and produced by USDA certified farmers on qualifing APU's. These subsidies would be in the form of direct payments to certified farmers. Payments would be limited to $50,000 per farmer and $100 per APU.

(4) Subsidies for different commodities would be more equal since there would be a single system used to determine the amount of subsidy and the percentage of a commodity subsidized.

(5) Allotment, bases, yields, and subsidies would be tied to the actual producer and not the land on which a commodity was produced. This would remove any connection between government subsidies and land ownership.

(6) The cross compliance tying conservation and government assistance and subsidies together would remain. Cost sharing money to aid in the implementation of conservation practice would come from a revolving fund established using federal and private money.

AMERICAN MID-SIZED FARM POLICY

The objective of this Agricultural Production Policy is to assure that sufficient food and fiber to supply the needs of the American people will be produced on American soil on mid-sized farms.

A mid-sized farm shall be a farm consisting of 500 Agricultural Production Units or less. The average net income produced by 500 APU will at least equal the average income of an American worker. The size of APU's in respect to varing commodities will be established by USDA and reviewed annually.

The Government will subsidize only those commodities whose average at-farm selling price is projected to be below the cost of production for average yields. All projections and averages will be made by USDA with input from state extension services and other agricultural groups and companies.

The Government will subsidize only those commodities which are produced by USDA certified farmers. A USDA certified farmer is a person or entity who for at least 3 out of the last 5 years has generated 55% or more of his net income from the actual production and sale of Agricultural products, and is registered as such at the local ASCS office.

The Government will subsidize only those commodities produced on the 500 or less APUs which make up a mid-sized farm operated by a USDA certified farmer.

The Government will subsidize only that percentage of a commodity which is required to meet the domestic need of America.

All commodities will sell on the free market at world prices with the government subsidizing those qualifying commodities by making direct payments to certified USDA farmers.

Subsidy payments to certified farmers will be limited to $50,000 per farmer per year and to $100 per APU per year.

CCC loans will be available to all producers to assist in the storage and marketing of commodities. However; these loans would be full recourse loans.

All farmers would be required to have in place a working soil and water conservation plan on each farm which produced commodities qualified for government subsidies or CCC loans.

The government would assist in the cost of implementing a conservation plan on a sliding scale from 100% to 25% based upon the need of the individual land owner. This assistance would be in the form of a loan at 0% interest borrowed from a revolving fund established using federal money and private donations. Land owners would be required to return to the fund all the money they were loaned when they realized a profit from the conservation practice (when they sell the land, sell timber, or graze established grasses, etc.).

AMERICAN MID-SIZED FARM POLICY IN ACTION

This policy could be carried out using the following general procedures.

(A) By October 15 of each year USDA would announce the APU scale to be used for the next calendar year.

(B) USDA would be required to gather and calculate all necessary information for all commodities so that the results could be announced no later than 90 days before the earliest planting date for a commodity, or for commodities produced on a year round basis 90 days before the beginning of the year. For each commodity there would be:

(1) An average cost of production for average yields.
(2) A projected 12 month average selling price at the farm level.
(3) The projected production required to meet domestic demand.
(4) The projected percentage of production which would qualify for a subsidy.
(5) The projected subsidy payment per unit for each commodity.

(C) Within 30 days of USDA's Commodity Information announcement date all certified farmers who wished to have their commodities subsidized would be required to report their intended production on up to 500 APU's with the ASCS. ASCS may have bases, allotments, and yields similar to the present policy. These would be determined and adjusted by using 3 year averages. These bases would be tied to the producer, not the land. All farmers could produce any amount of any commodity they wished, however; only those commodities produced within a USDA certified farmer's bases and qualifying APUs would be subsidized. And then only the percentage of those commodities required to meet domestic demand would be subsidized.

(D) After the final date for certified farmers to report their intended APUs USDA would have 15 days in which to adjust the projected subsidy payment and/or percentage of commodity subsidized. USDA could raise the payment and percentage a maximum of 25% or lower the payment and percentage a maximum of 10% in order to influence the actual production of that commodity. This would then be the payment and percentage for that commodity for that production year.

(E) A farmer would then have the right to amend his intended production to his full bases for a commodity. After planting of a commodity a USDA certified farmer would report actual planted acreage and could receive ½ of his payment. The remaining ½ of the payment would be received after the commodity was harvested and the yield certified. In the case of commodities produced on a year round basis a farmer could receive ¼ of his payment at the end of each calendar quarter.

(F) CCC loans would be available to all producers for the storage and marketing of commodities, however; all of these loans would be full recourse loans. An effective Conservation plan would be the only requirement for a CCC loan.

(G) The cross compliance under which all farmers receiving government benefits would be required to have and implement a conservation plan on their farms would remain. Funding for conservation and reforestation would come from a revolving fund.

GLOSSARY

Agricultural Production Unit-APU—That size unit as determined by USDA so that 500 such units would form a mid-sized farm operation in America.

Examples: 1 acre of corn, soybeans, wheat, or simular row crop would equal 1 APU. 1 acre peanuts, or simular medium intensity management row crop might equal 2.5 APU. 1 acre tobacco or simular high intensity management row crop might equal 5 APU. 1 producing dairy cow might equal 5 APU. 1 breeding beef cow might equal 2 APU. 1 breeding hog might equal 1 APU.

Mid-sized Farm—An average sized farm operation consisting of about 500 APU's.

USDA Certified Farmer—Any individual or entity which derives 55% or more of their income from the production and sell of agricultural commodities. This person or entity must register with the local ASCS Office and abide by the rules and regulations of the Farm Policy in order to qualify for government subsidies.

CONCLUSION

I have not made an effort to create or write a complete farm policy. Many other areas of agriculture and trade would need to be addressed in a total farm policy. I do not insist that this is the only or best ideals on which to base a new farm policy. However; I do suggest that this and all other reasonable ideals be considered and a new long term farm policy established for America. At the present time I do not believe we have a true Agricultural Policy, instead we simply have a hodgepodge of farm legislation. Without a policy we are losing good farmers by the thousands, good foreign customers by the hundreds and insuring the continued demise of a strong rural America. I believe a completely new long term Agricultural Policy would be good for America, and whatever is good for America would be good for American farmers.

Any comments both positive and negative concerning these views and ideals would be appreciated. Feel free to contact me for any comments or questions.

○